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ABSTRACTS

Does Oil Hinder Democracy?

By MICHAEL L. ROSS

Some scholars suggest that the Middle East's oil wealth helps explain its failure to democratize. This article examines three aspects of this "oil impedes democracy" claim. First, is it true? Does oil have a consistently antidemocratic effect on states, once other factors are accounted for? Second, can this claim be generalized? Is it true only in the Middle East or elsewhere as well? Is it true for other types of mineral wealth and other types of commodity wealth or only for oil? Finally, if oil does have antidemocratic properties, what is the causal mechanism?

The author uses pooled time-series cross-national data from 113 states between 1971 and 1997 to show that oil exports are strongly associated with authoritarian rule; that this effect is not limited to the Middle East; and that other types of mineral exports have a similar antidemocratic effect, while other types of commodity exports do not.

The author also tests three explanations for this pattern: a "rentier effect," which suggests that resource-rich governments use low tax rates and patronage to dampen democratic pressures; a "repression effect," which holds that resource wealth enables governments to strengthen their internal security forces and hence repress popular movements; and a "modernization effect," which implies that growth that is based on the export of oil and minerals will fail to bring about the social and cultural changes that tend to produce democratic government. He finds at least limited support for all three effects.

Ethnic Conflict and Civil Society

INDIA AND BEYOND

By ASHUTOSH VARSHNEY

Scholars have worked either on civil society or on ethnic conflict, but no systematic attempt has yet been made to connect the two. In an attempt to explore the possible links, this article makes two interconnected arguments. First, *inter*ethnic and *intra*ethnic networks of civic engagement play very different roles in ethnic conflict. Because they build bridges and manage tensions, interethnic networks are agents of peace. But if communities are organized only along intraethnic lines and the interconnections with other communities are very weak (or do not exist), ethnic violence is then quite likely. Second, civic networks, both intra- and interethnic, can also be broken down into two other types: *associational forms of engagement* and *everyday forms of engagement.* This distinction is based on whether civic interaction is formal or not. Both forms of engagement, if robust, promote peace: contrariwise, their absence or weakness opens up space for ethnic violence. Of the two, however, the associational forms turn out to be sturdier than everyday engagement, especially when confronted with attempts by politicians to polarize the people along ethnic lines. Both arguments have significance for theories of ethnic conflict and social capital.

Green by Choice?

CROSS-NATIONAL VARIATIONS IN FIRMS' RESPONSES TO EMS-BASED ENVIRONMENTAL REGIMES

By KELLY KOLLMAN and ASEEM PRAKASH

Environmental Management Systems (EMSs) represent a new generation of voluntary "beyond compliance" environmental policies that neither set substantive goals nor specify final outcomes. As a result, many stakeholder groups are lukewarm toward them. Since 1993 two major supranational EMSs—ISO 14001 and the European Union's Environmental Management and Audit Scheme (EMAS)—have been introduced. Firms receive formal accreditation after their EMS has been certified by outside verifiers. This accreditation can potentially bestow monetary and nonmonetary benefits on these firms.

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Firm-level EMS adoption patterns in the United Kingdom, Germany, and the United States vary, thereby suggesting that national contexts influence firms' responses to them. In Germany and the U.K. a significant number of sites have become either ISO 14001 or EMAS certified, while the take-up of ISO 14001 in the U.S. (EMAS is available only to European sites) has been less enthusiastic.

This article begins with the hypothesis that firms in countries with adversarial economies—where regulators and business are on less than friendly terms—are less likely to adopt EMS-based programs. This hypothesis explains why ISO 14001 take-up has been relatively high in the U.K. and relatively low in the U.S. However, it cannot explain (1) the high rate of take-up of both ISO 14001 and EMAS in Germany, where the stringency of environmental legislation has been a contentious issue between the government and industry and (2) why EMAS has been more popular in Germany than in the U.K. This article argues that the original hypothesis, while largely correct, is underspecified. To better explain the cross-national differences in EMS adoption, one must take into account the type of adversarial economy (adversarial legalism versus prescriptive interventionism) and the nature of the policy regime (procedural versus substantive).

Modernization in Historical Perspective

The Case of Imperial Germany

By SHERI E. BERMAN

In recent years historical research on Imperial Germany has called into question traditional interpretations of this case at the same time that political science research on the "third wave" has transformed the study of political development. This article argues that combining the insights of these two literatures offers benefits to both. For historians, the exercise provides a fresh perspective on the purported distinctiveness of Imperial Germany's political system and the relationship between its economic and political development. For political scientists, the German case has important lessons to teach about the role of structure versus agency in driving political liberalization, the time frame necessary for genuine political development to occur, and the role of war and the nature of the international system as wild cards in changing the outcome of the game. Most interestingly, perhaps, it also shows that a weak version of modernization theory holds true, namely, that it is not possible *over the long term* for a simple authoritarian regime to maintain control over an increasingly economically developed society.

The Social Construction of an Imperative

Why Welfare Reform Happened in Denmark and the Netherlands but Not in Germany

By ROBERT HENRY COX

This article seeks to explain why Denmark and the Netherlands made dramatic progress reforming their welfare systems in the 1990s and why Germany had a relatively slow start. Some possible explanations found to be incomplete are institutional differences in welfare programs, the uniqueness of circumstances (for example, German unification), and the balance of political power in governing institutions. An important part of the puzzle is an increasing perception of the need to reform that was more widespread in Denmark and the Netherlands. The social construction of an imperative to reform in these countries generated a political consensus that was elusive in Germany but that may be developing under Gerhard Schröder's government.

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DOES OIL HINDER DEMOCRACY?

By MICHAEL L. ROSS*

INTRODUCTION

POLITICAL scientists believe that oil has some very odd properties. Many studies show that when incomes rise, governments tend to become more democratic. Yet some scholars imply there is an exception to this rule: if rising incomes can be traced to a country's oil wealth, they suggest, this democratizing effect will shrink or disappear. Does oil really have antidemocratic properties? What about other minerals and other commodities? What might explain these effects?

The claim that oil and democracy do not mix is often used by area specialists to explain why the high-income states of the Arab Middle East have not become democratic. If oil is truly at fault, this insight could help explain—and perhaps, predict—the political problems of oil exporters around the world, such as Nigeria, Indonesia, Venezuela, and the oil-rich states of Central Asia. If other minerals have similar properties, this effect might help account for the absence or weakness of democracy in dozens of additional states in sub-Saharan Africa, Latin America, and Southeast Asia. Yet the "oil impedes democracy" claim has received little attention outside the circle of Mideast scholars; moreover, it has not been carefully tested with regression analysis, either within or beyond the Middle East.

I use pooled time-series cross-national data from 113 states between 1971 and 1997 to explore three aspects of the oil-impedes-democracy claim. The first is the claim's validity: is it true? Although the claim has been championed by Mideast specialists, it is difficult to test by examining only cases from the Middle East because the region provides scholars with

* Previous versions of this article were presented to seminars at Princeton University, Yale University, and the University of California, Los Angeles, and at the September 2000 annual meeting of the American Political Science Association in Washington, D.C. For their thoughtful comments on earlier drafts, I am grateful to Pradeep Chhibber, Indra de Soysa, Geoffrey Garrett, Phil Keefer, Steve Knack, Miriam Lowi, Ellen Lust-Okar, Lant Pritchett, Nicholas Sambanis, Jennifer Widner, Michael Woolcock, and three anonymous reviewers. I owe special thanks to Irfan Nooruddin for his research assistance and advice and to Colin Xu for his help with the Stata. I wrote this article while I was a visiting scholar at The World Bank in Washington, D.C. The views I express in this article, and all remaining errors, are mine alone.

World Politics 53 (April 2001), 325–61

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TABLE 1
INDEX OF OIL-RELIANT STATES[a]

1. Brunei (1994)	47.58
2. Kuwait	46.14
3. Bahrain	45.60
4. Nigeria (1991)	45.38
5. Congo, Dem. Rep.	45.14
6. Angola (1996)	45
7. Yemen	38.58
8. Oman	38.43
9. Saudi Arabia	33.85
10. Qatar (1994)	33.85
11. Libya (1988)	29.74
12. Iraq (1983)	23.48
13. Algeria	21.44
14. Venezuela	18.84
15. Syria	15.00
16. Norway	13.46
17. Iran (1983)	11.95
18. Ecuador	8.53
19. Malaysia	5.91
20. Indonesia	5.69
21. Cameroon	5.63
22. Lithuania	4.48
23. Kyrgyz Republic (1996)	4.25
24. Netherlands	3.14
25. Colombia	3.13

[a]Oil reliance is measured by the value of fuel-based exports divided by GDP. Most figures are based on data for 1995 from World Bank (fn. 71).Figures for Brunei, Nigeria, Qatar, Libya, Iraq, and Iran are the most recent available. Since 1995 figures for Angola and Kyrgyz Republic are not available, 1996 figures are reported.

little variation on the dependent variable: virtually all Mideast governments have been authoritarian since gaining independence. Moreover, there are other plausible explanations for the absence of democracy in the Mideast, including the influence of Islam and the region's distinct culture and colonial history. Does oil have a consistently negative influence on democracy once one accounts for these and other variables?

Second, I examine the claim's generality along two dimensions. One is geographic. For obvious reasons the oil-impedes-democracy claim has been explored most carefully by Mideast specialists: ten of the fifteen states most reliant on oil wealth are in the Middle East region (see Table 1). But is oil an obstacle to democracy only in the Mideast, or does it harm oil exporters everywhere? If the hypothesis is true for all oil-rich

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TABLE 2
INDEX OF MINERAL-RELIANT STATES[a]

1.	Botswana	35.11
2.	Zambia	24.97
3.	Bahrain	16.39
4.	Chile	12.63
5.	Angola (1996)	11.5
6.	Papua New Guinea	10.13
7.	Togo (1991)	7.79
8.	Bolivia	5.53
9.	Congo, Dem. Rep. (1983)	7.00
10.	Jordan	5.28
11.	Peru	3.84
12.	Central African Republic	3.16
13.	Iceland	3.11
14.	Zimbabwe	3.00
15.	Norway	2.49
16.	Belgium	2.23
17.	Canada	2.22
18.	Australia	2.20
19.	Lithuania	1.96
20.	Jamaica	1.87
21.	Slovak Republic	1.74
22.	South Africa	1.69
23.	Morocco	1.65
24.	Cameroon	1.62
25.	Kyrgyz Republic	1.56

[a]Mineral reliance is measured by the value of nonfuel mineral exports divided by GDP. Most figures are for 1995 based on data from World Bank (fn. 71). The figures for Congo and Togo are the most recent available; the 1996 figure is reported for Angola, since no figure for 1995 is available.

states, then its importance has been underappreciated by other political scientists. If it holds only for states in the Mideast, why is this so?

The other dimension is sectoral: do other types of minerals and other types of commodities have similar effects on governments? While oil exporters tend to be concentrated in the Middle East, exporters of nonfuel minerals are more geographically dispersed (see Table 2). Have these states, too, been rendered less democratic because of resource wealth? Or does petroleum have antidemocratic properties that are not found in other commodities?

Finally, I explore the question of causality: if oil does have antidemocratic effects, what is the causal mechanism? I test three possible explanations: a "rentier effect," which suggests that resource-rich

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governments use low tax rates and patronage to relieve pressures for greater accountability; a "repression effect," which argues that resource wealth retards democratization by enabling governments to boost their funding for internal security; and a "modernization effect," which holds that growth based on the export of oil and minerals fails to bring about the social and cultural changes that tend to produce democratic government.

I also have two broader aims. The first is to encourage scholars who study democracy to incorporate the Middle East into their analyses. Many "global" studies of democratization have avoided the Mideast entirely.[1] Influential studies by Przeworski and Limongi and Przeworski, Alvarez, Cheibub, and Limongi simply drop the oil-rich Mideast states from their database.[2] There is, however, no sound analytical reason for scholars of democracy to exclude these states from their research, and doing so can only weaken any general findings. It also tends to marginalize the field of Middle East studies.

My second aim is to address the literature on the "resource curse." Many of the poorest and most troubled states in the developing world have, paradoxically, high levels of natural resource wealth. There is a growing body of evidence that resource wealth itself may harm a country's prospects for development. States with greater natural resource wealth tend to grow more slowly than their resource-poor counterparts.[3] They are also more likely to suffer from civil wars.[4] This article suggests as well that there is a third component to the resource curse: oil and mineral wealth tends to make states less democratic.

[1] See, for example, Guillermo O'Donnell, Philippe C. Schmitter, and Lawrence Whitehead, eds., *Transitions from Authoritarian Rule: Prospects for Democracy* (Baltimore: Johns Hopkins University Press, 1986); D. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds., *Democracy in Developing Countries* (Boulder, Colo.: Lynne Rienner, 1988); Ronald Inglehart, *Modernization and Postmodernization* (Princeton: Princeton University Press, 1997).

[2] Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49 (January 1997); Adam Przeworski, Michael Alvarez, José Antonio Cheibub, and Fernando Limongi, "What Makes Democracies Endure?" *Journal of Democracy* 7 (January 1996); idem, *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990* (New York: Cambridge University Press, 2000).

[3] Jeffrey D. Sachs and Andrew M. Warner, "Natural Resource Abundance and Economic Growth," Development Discussion Paper no. 517a (Cambridge: Harvard Institute for International Development, 1995); idem, "The Big Push, Natural Resource Booms and Growth," *Journal of Development Economics* 59 (February 1999); Carlos Leite and Jens Weidmann, "Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth," IMF Working Paper, WP/99/85 (1999); Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics* 51 (January 1999); R. M. Auty, *Resource Abundance and Economic Development* (Oxford: Oxford University Press, 2001).

[4] Paul Collier and Anke Hoeffler, "On Economic Causes of Civil War," *Oxford Economic Papers* 50 (October 1998); Indra de Soysa, "The Resource Curse: Are Civil Wars Driven by Rapacity or Paucity?" in Mats Berdal and David M. Malone, eds., *Greed and Grievance: Economic Agendas in Civil Wars* (Boulder, Colo.: Lynne Rienner, 2000).

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I begin by outlining the oil-impedes-democracy claim and the limitations of previous work on the topic. I then draw on earlier case studies of oil-rich states to specify three causal mechanisms that might explain how oil makes governments more authoritarian. The next section presents a model of regime types and describes the research design. I then present the results of the validity and generality tests and follow that with a discussion of the results of tests on the causal mechanisms and a conclusion.

The Concept of the "Rentier State"

Area specialists often describe most of the governments of the Mideast and North Africa as "rentier states," since they derive a large fraction of their revenues from external rents.[5] More than half of the government's revenues in Saudi Arabia, Bahrain, the United Arab Emirates, Oman, Kuwait, Qatar, and Libya have, at times, come from the sale of oil. The governments of Jordan, Syria, and Egypt variously earn large locational rents from payments for pipeline crossings, transit fees, and passage through the Suez Canal. Workers' remittances have been an important source of foreign exchange in Egypt, Yemen, Syria, Lebanon, Tunisia, Algeria, and Morocco, although these rents go (at least initially) to private actors, not the state. The foreign aid that flows to Israel, Egypt, and Jordan may also be considered a type of economic rent.

Economists in the early twentieth century used the term "rentier state" to refer to the European states that extended loans to non-European governments.[6] Mahdavy is widely credited with giving the term its current meaning: a state that receives substantial rents from "foreign individuals, concerns or governments."[7] Beblawi later refined this definition, suggesting that a rentier state is one where the rents are paid by foreign actors, where they accrue directly to the state, and where "only a few are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilization of it."[8]

[5] Throughout this article I use the term "Middle East" to include North Africa. I adopt the World Bank's definition of this region: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen.

[6] According to Lenin, "The rentier state is a state of parasitic, decaying capitalism, and this circumstance cannot fail to influence all the socio-political conditions of the countries concerned." V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," in Robert C. Tucker, ed., *The Lenin Anthology* (New York: W. W. Norton, 1975).

[7] Hussein Mahdavy, "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran," in M. A. Cook, ed., *Studies in Economic History of the Middle East* (London: Oxford University Press, 1970), 428.

[8] Hazem Beblawi, "The Rentier State in the Arab World," in Hazem Beblawi and Giacomo Luciani, eds., *The Rentier State* (New York: Croom Helm, 1987), 51. Note that this definition excludes

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Claims about the rentier state can be sorted into two categories: those that suggest oil wealth makes states less democratic and those that suggest oil wealth causes governments to do a poorer job of promoting economic development. Often the two are conflated. This article focuses on the first claim.

According to Anderson, "The notion of the rentier state is one of the major contributions of Middle East regional studies to political science."[9] Indeed, some scholars of democracy now use a version of this argument to account for the otherwise puzzling states of the Middle East. Huntington, for example, suggests that the democratic trend may bypass the Middle East since many of these states "depend heavily on oil exports, which enhances the control of the state bureaucracy."[10] Others have adapted the "rentier state" idea to oil-rich countries outside the Middle East.[11]

The claim that oil wealth per se inhibits democratization has not been subjected to careful statistical tests, however, as most quantitative studies of democracy simply overlook it as an explanatory variable. And the handful that even acknowledge that oil-rich states have odd properties do little to explain why. Przeworski and his collaborators, for example, drop countries from their database if their "ratio of fuel exports to total exports in 1984–1986 exceeded fifty percent"—an eccentric criterion that excludes six oil-rich states, all of which are located on the Arabian Peninsula.[12] Barro's study of democracy includes a dummy variable for states "whose net oil exports represent a minimum of two-thirds of total exports and are at least equivalent to approximately one percent of world exports of oil."[13] The Barro oil dummy is statistically significant and negatively correlated with democracy. But as in the analyses of Przeworski et al., the dummy variable uses an arbitrary cut-

workers' remittances. As Chaudhry notes, large flows of remittances have different political implications than do large oil rents. See Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca, N.Y.: Cornell University Press, 1997).

[9] Lisa Anderson, "The State in the Middle East and North Africa," *Comparative Politics* 20 (October 1987), 9.

[10] Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 31–32.

[11] See, for example, Olle Törnquist, "Rent Capitalism, State, and Democracy: A Theoretical Proposition," in Arief Budiman, ed., *State and Civil Society in Indonesia,* Monash Papers on Southeast Asia, no. 22 (1990); Douglas A. Yates, *The Rentier State in Africa: Oil Rent Dependency and Neocolonialism in the Republic of Gabon* (Trenton, N.J.: Africa World Press, 1996); Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997); John Clark, "Petro-Politics in Congo," *Journal of Democracy* 8 (July 1997); idem, "The Nature and Evolution of the State in Zaire," *Studies in Comparative International Development* 32 (Winter 1998).

[12] See Przeworski et al. (fn. 2, 2000), 77.

[13] Robert J. Barro, "Determinants of Democracy," *Journal of Political Economy* 107 (December 1999).

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point to distinguish between "oil states" and "non–oil states" and implies that oil has little or no influence on regime type until some threshold is reached.

Qualitative studies of the oil-impedes-democracy hypothesis also have important limitations. The vast majority have been country-level case studies of oil-rich states in the Mideast. Although many have been empirically rich and analytically nuanced, the Mideast is nevertheless a difficult place to test this claim, since virtually all oil-rich Mideast governments have been highly authoritarian since gaining independence. The absence of variation on the dependent variable—as well as on Islam, an important control variable—has made testing difficult. It has also allowed Mideast specialists to neglect tasks that would help sharpen and refine the oil-impedes-democracy claim—defining the key variables better, specifying the causal arguments in falsifiable terms, and outlining the domain of relevant cases to which their arguments apply. As a result, the notion of the rentier state has suffered from a bad case of conceptual overstretch: assertions about the influence of oil on Middle East politics have become so general that their validity has been diluted. As Okruhlik observes, "The idea of the rentier state has come to imply so much that it has lost its content."[14]

One way to restore the usefulness of an overstretched concept is by testing it statistically. I thus evaluate one core facet of the rentier state concept—the oil-impedes-democracy claim—with three questions. First, is there a statistically valid correlation between oil and authoritarianism once other germane variables are accounted for? Second, can the claim be generalized both beyond the Middle East and beyond the case of oil? Finally, if oil thwarts democracy, what is the causal mechanism?

Proponents of the oil-impedes-democracy hypothesis naturally suggest both that it is valid and that it can be generalized to oil exporters outside the Middle East. Some also imply that other types of commodities have similar effects. Nothing in Beblawi's definition, which is widely accepted among Mideast specialists, restricts the set of rentier states to oil exporters. In fact, the definition appears to cover many mineral exporters on the grounds that (1) minerals tend to generate rents, (2) the rents are largely captured by states via export taxes, corporate taxes, and state-owned enterprises, and (3) mineral extraction employs relatively little labor. The same definition, however, implies that exporters of agricultural commodities will not be rentier states.

[14] Gwenn Okruhlik, "Rentier Wealth, Unruly Law, and the Rise of Opposition," *Comparative Politics* 31 (April 1999), 308.

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This is because (1) agricultural commodities generally do not produce rents, (2) export revenues in most cases go directly to private actors, not the state, and (3) agricultural production is more labor intensive and hence employs a larger fraction of the population for a given value of exports.[15]

Causal Mechanisms

At least three causal mechanisms might explain the alleged link between oil exports and authoritarian rule. The first comes largely from Mideast specialists and might be called the "rentier effect." A close reading of case studies suggests a second mechanism: a "repression effect." Modernization theory implies a third possible cause, which I call the "modernization effect."

The Rentier Effect

The first causal mechanism comes from the work of Middle East scholars, who have pondered this issue for over two decades.[16] In general they argue that governments use their oil revenues to relieve social pressures that might otherwise lead to demands for greater accountability. Case studies describe three ways this may occur.[17]

The first is through what might be called a "taxation effect." It suggests that when governments derive sufficient revenues from the sale of oil, they are likely to tax their populations less heavily or not at all, and the public in turn will be less likely to demand accountability from—and representation in—their government.[18]

The logic of the argument is grounded in studies of the evolution of democratic institutions in early modern England and France. Historians and political scientists have argued that the demand for representation in government arose in response to the sovereign's attempts to raise

[15] Note that, by contrast, dependency theory suggests that developing states are politically constrained by their reliance on the export of *all* types of primary commodities to advanced industrialized states. See, for example, Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979); Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979); Kenneth A. Bollen, "World System Position, Dependency, and Democracy: The Cross-National Evidence," *American Sociological Review* 48 (August 1983).

[16] Perhaps they have thought about it too carefully. Chaudhry (fn. 8), notes that "theories of the rentier state far outstrip detailed empirical analysis of actual cases" (p. 187).

[17] Case studies often conflate these three effects. I treat them here as separate mechanisms to clarify their logic.

[18] Giacomo Luciani, "Allocation vs. Production States: A Theoretical Framework," in Beblawi and Luciani (fn. 8).

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taxes.[19] Some Mideast scholars have looked for similar correlations between variations in tax levels and variations in the demand for political accountability. Crystal found that the discovery of oil made the governments of Kuwait and Qatar less accountable to the traditional merchant class.[20] Brand's study of Jordan argued that a drop in foreign aid and remittances in the 1980s led to greater pressures for political representation.[21] Yet not all Middle East specialists have been persuaded: Waterbury argues that "neither historically nor in the twentieth century is there much evidence [in the Middle East] that taxation has evoked demands that governments account for their use of tax monies. Predatory taxation has produced revolts, especially in the countryside, but there has been no translation of tax burden into pressures for democratization."[22]

A second component of the rentier effect might be called the "spending effect": oil wealth may lead to greater spending on patronage, which in turn dampens latent pressures for democratization.[23] Entelis, for example, argues that the Saudi Arabian government used its oil wealth for spending programs that helped reduce pressures for democracy.[24] Vandewalle makes a similar argument about the Libyan government.[25] And Kessler and Bazdresch and Levy find that the Mexican oil boom of the 1970s helped prop up—and perhaps prolong—one-party rule.[26] While all authoritarian governments may use

[19] Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975); Robert Bates and Da-Hsiang Donald Lien, "A Note on Taxation, Development, and Representative Government," *Politics and Society* 14 (January 1985); Philip T. Hoffman and Kathryn Norberg, eds., *Fiscal Crises, Liberty, and Representative Government, 1450–1789* (Stanford, Calif.: Stanford University Press, 1994).

[20] Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar* (New York: Cambridge University Press, 1990).

[21] Laurie A. Brand, "Economic and Political Liberalization in a Rentier Economy: The Case of the Hashemite Kingdom of Jordan," in Iliya Harik and Denis J. Sullivan, eds., *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992).

[22] John Waterbury, "Democracy without Democrats? The Potential for Political Liberalization in the Middle East," in Ghassan Salamé, ed., *Democracy without Democrats? The Renewal of Politics in the Muslim World* (New York: I. B. Tauris, 1994), 29.

[23] Lam and Wantchekon develop a formal model that makes a similar point, that resource wealth can impede democracy by enhancing the distributive influence of an elite. Ricky Lam and Leonard Wantchekon, "Dictatorships as a Political Dutch Disease" (Manuscript, Department of Political Science, Yale University, January 1999).

[24] John P. Entelis, "Oil Wealth and the Prospects for Democratization in the Arabian Peninsula: The Case of Saudi Arabia," in Naiem A. Sherbiny and Mark A. Tessler, eds., *Arab Oil: Impact on the Arab Countries and Global Implications* (New York: Praeger, 1976).

[25] Dirk Vandewalle, *Libya since Independence: Oil and State-Building* (Ithaca, N.Y.: Cornell University Press, 1998).

[26] Carlos Bazresch and Santiago Levy, "Populism and Economic Policy in Mexico, 1970–82," in Rudiger Dornbusch and Sebastian Edwards, eds., *The Macroeconomics of Populism in Latin America* (Chicago: University of Chicago Press, 1991); Timothy P. Kessler, *Global Capital and National Politics: Reforming Mexico's Financial System* (Westport, Conn.: Praeger, 1999).

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their fiscal powers to reduce dissent, these scholars imply that oil wealth provides Middle East governments with budgets that are exceptionally large and unconstrained.[27] Rulers in the Middle East may follow the same tactics as their authoritarian counterparts elsewhere, but oil revenues could make their efforts at fiscal pacification more effective.

The third component might be called a "group formation" effect. It implies that when oil revenues provide a government with enough money, the government will use its largesse to prevent the formation of social groups that are independent from the state and hence that may be inclined to demand political rights. One version of this argument is rooted in Moore's claim that the formation of an independent bourgeoisie helped bring about democracy in England and France.[28] Scholars examining the cases of Algeria, Libya, Tunisia, and Iran have all observed oil-rich states blocking the formation of independent social groups; all argue that the state is thereby blocking a necessary precondition of democracy.[29]

A second version of the group-formation effect draws on Putnam's argument that the formation of social capital—civic institutions that lie above the family and below the state—tends to promote more democratic governance.[30] Scholars studying the cases of Algeria, Iran, Iraq, and the Arab Gulf states have all suggested that the government's oil wealth has impeded the formation of social capital and hence blocked a transition to democracy.[31]

Whether Mideast states use their oil revenues to *deliberately* inhibit group formation is a matter of some disagreement. In the case of Libya, First suggests "there is not a consistent policy against the development of

[27] Lisa Anderson, "Peace and Democracy in the Middle East: The Constraints of Soft Budgets," *Journal of International Affairs* 49 (Summer 1995).

[28] Barrington Moore, *Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966).

[29] On Algeria, see Clement Henry Moore, "Petroleum and Political Development in the Maghreb," in Sherbiny and Tessler (fn. 24); on Libya, see Ruth First, "Libya: Class and State in an Oil Economy," in Petter Nore and Terisa Turner, eds., *Oil and Class Struggle* (London: Zed Press, 1980); also on Libya, see Vandewalle (fn. 25); on Tunisia, see Eva Bellin "The Politics of Profit in Tunisia: Utility of the Rentier Paradigm?" *World Development* 22 (March 1994); and on Iran, see Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran," *Comparative Politics* 26 (April 1994).

[30] Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993).

[31] On Algeria, see John P. Entelis, "Civil Society and the Authoritarian Temptation in Algerian Politics," in Augustus Richard Norton, ed., *Civil Society in the Middle East,* vol. 2 (Leiden: E. J. Brill, 1995); on Iran, see Farhad Kazemi, "Civil Society and Iranian Politics," in Norton; on the Gulf states, see Jill Crystal, "Civil Society in the Arab Gulf States," in Norton; on Iraq, see Zuhair Humadi, "Civil Society under the Ba'th in Iraq," in Jillian Schwedler, ed., *Toward Civil Society in the Middle East?* (Boulder, Colo.: Lynne Rienner, 1995). Other scholars have argued that the weakness of civil society in the Middle East has hampered a transition to democracy, without suggesting that oil wealth is the source of this weakness.

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an indigenous bourgeoisie, but the growth of this class is in practice constrained by the state's own economic ventures and its links with international capital."[32] Chaudhry, by contrast, argues that in the 1970s the Mideast governments used their oil revenues to develop programs that were "explicitly designed to depoliticize the population. . . . In all cases, governments deliberately destroyed independent civil institutions while generating others designed to facilitate the political aims of the state."[33]

Collectively, the taxation, spending, and group-formation effects constitute the rentier effect. Together they imply that a state's fiscal policies influence its regime type: governments that fund themselves through oil revenues and have larger budgets are more likely to be authoritarian; governments that fund themselves through taxes and are relatively small are more likely to become democratic.

The Repression Effect

A close reading of case studies from the Mideast, Africa, and Southeast Asia suggests that oil wealth and authoritarianism may also be linked by repression. Citizens in resource-rich states may want democracy as much as citizens elsewhere, but resource wealth may allow their governments to spend more on internal security and so block the population's democratic aspirations. Skocpol notes that much of Iran's pre-1979 oil wealth was spent on the military, producing what she calls a "rentier absolutist state."[34] Clark, in his study of the 1990s oil boom in the Republic of Congo, finds that the surge in revenues allowed the government to build up the armed forces and train a special presidential guard to help maintain order.[35] And Gause argues that Middle East democratization has been inhibited in part by the prevalence of the *mukhabarat* (national security) state.[36]

There are at least two reasons why resource wealth might lead to larger military forces. One may be pure self-interest: given the opportunity to better arm itself against popular pressures, an authoritarian government will readily do so. A second reason may be that resource wealth causes ethnic or regional conflict; a larger military might reflect the government's response. Mineral wealth is often geographically con-

[32] First (fn. 29), 137.

[33] Kiren Aziz Chaudhry, "Economic Liberalization and the Lineages of the Rentier State," *Comparative Politics* 27 (October 1994), 9.

[34] Theda Skocpol, "Rentier State and Shi'a Islam in the Iranian Revolution," *Theory and Society* 11 (April 1982).

[35] Clark (fn. 11, 1997).

[36] F. Gregory Gause II, "Regional Influences on Experiments in Political Liberalization in the Arab World," in Rex Brynen, Bahgat Korany, and Paul Noble, eds., *Political Liberalization and Democratization in the Arab World*, vol. 1, *Theoretical Perspectives* (Boulder, Colo.: Lynne Rienner, 1995).

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centrated. If it happens to be concentrated in a region populated by an ethnic or religious minority, resource extraction may promote or exacerbate ethnic tensions, as federal, regional, and local actors compete for mineral rights. These disputes may lead to larger military forces and less democracy in resource-rich, ethnically fractured states such as Angola, Burma, the Democratic Republic of Congo, Indonesia, Nigeria, Papua New Guinea, Sierra Leone, and South Africa. This mechanism would be consistent with the research of Collier and Hoeffler and de Soysa, who find that natural resource wealth tends to make civil war more likely.[37]

The Modernization Effect

Finally, a third explanation can be derived from modernization theory, which holds that democracy is caused by a collection of social and cultural changes—including occupational specialization, urbanization, and higher levels of education—that in turn are caused by economic development.[38] Different scholars emphasize different clusters of social and cultural changes. Perhaps the most carefully shaped position comes from Inglehart, who argues that two types of social change have a direct impact on the likelihood that a state will become democratic:

> 1. Rising education levels, which produce a more articulate public that is better equipped to organize and communicate, and
> 2. Rising occupational specialization, which first shifts the workforce into the secondary sector and then into the tertiary sector. These changes produce a more autonomous workforce, accustomed to thinking for themselves on the job and having specialized skills that enhance their bargaining power against elites.[39]

Although modernization theory does not address the question of resource wealth per se, an implicit corollary is that if economic development does not produce these cultural and social changes, it will not result in democratization. As Inglehart notes: "Is the linkage between development and democracy due to wealth per se? Apparently not: if democracy automatically resulted from simply becoming wealthy, then Kuwait and Libya would be model democracies."[40] In other words, if resource-led growth does not lead to higher education levels and

[37] See Collier and Hoeffler (fn. 4); de Soysa (fn. 4).

[38] Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review* 53 (March 1959); Karl W. Deutsch, "Social Mobilization and Political Development," *American Political Science Review* 55 (September 1961); Inglehart (fn. 1).

[39] Inglehart (fn. 1), 163.

[40] Ibid., 161.

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greater occupational specialization, it should also fail to bring about democracy. Unlike the rentier and repression effects, the modernization effect does not work through the state: it is a social mechanism, not a political one.

The rentier, repression, and modernization effects are largely complementary. The rentier effect focuses on the government's use of fiscal measures to keep the public politically demobilized; the repression effect stresses the government's use of force to keep the public demobilized; and the modernization effect looks at social forces that may keep the public demobilized. All three explanations, or any combination of them, may be simultaneously valid.[41]

Model Specification and Research Design

To test the oil-impedes-democracy claim, I present a model to predict regime types and test it using a feasible generalized least-squares method with a pooled time-series cross-national data set, which includes data on all sovereign states with populations over one hundred thousand between 1971 and 1997. The model includes five causal variables that according to previous studies are the most robust determinants of democracy. It also includes variables that measure a state's oil and mineral wealth to see if they add explanatory power.

The basic regression model is:

$$Regime_{i,t} = a_1 + b_1(Oil_{i,t-5}) + b_2(Minerals_{i,t-5}) + b_3(Log\ Income_{i,t-5}) + b_4(Islam_i) + b_5(OECD_i) + b_6(Regime_{i,t-5}) + b_7(Year_1) \ldots + b_{33}(Year_{26})$$

where i is the country and t is the year.

The dependent variable, *Regime,* is derived from the Polity98 data set constructed by Gurr and Jaggers.[42] Gurr and Jaggers compile two 0–10 interval scale variables, DEMOC and AUTOC; the former differentiates between states that are relatively democratic, while the latter variable differentiates between authoritarian states. Since the two indicators contain separate, nonoverlapping types of information about each country year, I combine them into a single measure by subtracting

[41] A fourth explanation has been offered by U.S. vice president Richard Cheney, a political scientist by training: "The problem is that the good Lord didn't see fit to put oil and gas reserves where there are democratic governments." Cited in David Ignatius, "Oil and Politics Mix Suspiciously Well in America," *Washington Post,* July 30, 2000, A31.

[42] Each of the variables is defined more precisely in Appendix 1. Ted R. Gurr and Keith Jaggers, "Polity 98: Regime Characteristics, 1800–1998," http://www.bsos.umd.edu/cidcm/polity/, 1999 (consulted March 1, 2000).

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the autocracy measure from the democracy measure.[43] I then rescale it as a 0–10 variable, with 10 representing "most democratic."

Oil and *Minerals* are the independent variables; they measure the export value of mineral-based fuels (petroleum, natural gas, and coal) and the export value of nonfuel ores and metals exports, as fractions of GDP. These variables capture both the importance of fuels and minerals as sources of export revenue and their relative importance in the domestic economy.[44]

The right-hand side of the equation also includes five control variables designed to capture the factors most robustly associated with regime type, for which indicators are available for most of the countries and years. The first is *Income,* measured as the natural log of per capita GDP corrected for purchasing power parity (PPP), in current international dollars. Per capita income has been widely accepted as a correlate of democracy since Lipset; its validity has been confirmed in more recent tests by Burkhart and Lewis-Beck, Londregan and Poole, Przeworski and Limongi, and Barro.[45]

The second control variable is *Islam,* which denotes the Muslim percentage of the state's population in 1970.[46] Previous studies have suggested that states with large Muslim populations tend to be less democratic than non-Muslim states.[47] Of all the religious categories tested by Barro, Islam (measured the same way with the same data set) had by far the largest and most statistically significant influence on a state's regime type.[48] Placing *Islam* in this model has special importance

[43] Here I am following the practice of John B. Londregan and Keith T. Poole, "Does High Income Promote Democracy?" *World Politics* 49 (October 1996).

[44] *Oil* and *Minerals* are similar to the indicators used by Sachs and Warner (fn. 3, 1995) and by Leite and Weidmann (fn. 3) in their studies of the influence of resource wealth on economic performance. While Sachs and Warner combine fuels, nonfuel minerals, and agricultural goods into a single variable, I consider them as separate variables to see if their regression coefficients (and hence their influence on regime types) differ.

[45] Lipset (fn. 38); Ross E. Burkhart and Michael S. Lewis-Beck "Comparative Democracy: The Economic Development Thesis," *American Political Science Review* 88 (December 1994); Londregan and Poole (fn. 43); Przeworski and Limongi (fn. 2); Barro (fn. 13).

[46] In virtually all cases, the figure for 1980 (the only other year for which data were available) was identical to the 1970 figure.

[47] Salamé (fn. 22); Seymour Martin Lipset,"The Social Requisites of Democracy Revisited," *American Sociological Review* 59 (February1994); Manus Midlarsky, "Democracy and Islam: Implications for Civilizational Conflict and the Democratic Peace," *International Studies Quarterly* 42 (December 1998).

[48] Barro (fn. 13). Observers offer different arguments to explain the negative correlation between democracy and Islamic populations (–.38). See, for example, Hisham Sharabi, *Neopatriarchy: A Theory of Distorted Change in Arab Society* (New York: Oxford University Press, 1988); Bernard Lewis, "Islam and Liberal Democracy," *Atlantic Monthly* 271 (February 1993); and Michael Hudson, "The Political Culture Approach to Arab Democratization: The Case for Bringing It Back In, Carefully," in Brynen, Korany, and Noble (fn. 36). Although they are negatively correlated for the period covered by this data set (1971–97), it is not obvious that they will continue to be negatively correlated in the future. Two

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because many states with great mineral wealth also have large Muslim populations, not only in the Middle East but also in parts of Asia (Indonesia, Malaysia, Brunei) and Africa (Nigeria). The simple correlation between *Oil* and *Islam* is 0.44.

The third control variable is *OECD*, a dummy that is coded 1 for states that are members of the Organization for Economic Cooperation and Development (excluding newer members Mexico and South Korea) and 0 for all others. Previous researchers have found that the advanced industrialized states of the OECD are significantly more likely to be democratic in the post–World War II era than the states of the developing world, even after the influence of income and other factors are accounted for.[49] There is no consensus on why this is so. It has variously been attributed to the West's unique historical trajectory;[50] the cultural influence of Protestantism;[51] the residual effects of Western colonialism on non-Western states;[52] and a "world system" that constrains the prospects of states in the non-Western "periphery."[53] Conceivably any antidemocratic effects from *Oil* and *Minerals* might be spurious and merely reflect the location of most fuel- and mineral-exporting states in the non-Western world. The *OECD* dummy helps account for any of these Western-specific effects, without taking a position on the mechanisms behind it.

The fourth control variable is $Regime_{t-5}$, which is the dependent variable lagged by five years. Placing it on the right-hand side of the model has three purposes. First, the most important influence on a state's regime type may often be its own peculiar history; $Regime_{t-5}$ helps capture any country-specific historical or cultural features that may be missed by the other right-hand-side variables. Second, including $Regime_{t-5}$ helps turn the equation into a change model, transforming the dependent variable from regime type to the change in a country's regime type over a given five-year period. This helps ensure that the re-

states with large Islamic populations, Nigeria and Indonesia, have recently moved toward democracy, and some of the most important prodemocracy forces in other Islamic states (including Algeria, Egypt, Jordan, and Malaysia) are often classified as Islamic "traditionalists" or "fundamentalists." It is instructive to recall that until the "third wave" of democratization began in the mid-1970s, democracy and Catholicism were negatively correlated.

[49] See Burkhart and Lewis-Beck (fn. 45); Londregan and Poole (fn. 43); Przeworski and Limongi (fn. 2).

[50] See Moore (fn. 28).

[51] See Lipset (fn. 38); Huntington (fn. 10).

[52] See Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971).

[53] See Immanuel Wallerstein, *The Modern World-System* (New York: Academic Press, 1974); Bollen (fn. 15); Burkhart and Lewis-Beck (fn. 45).

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gression will indeed measure both time-series and cross-sectional changes in regime types. Third, $Regime_{t-5}$ helps address the problem of serial correlation that tends to bedevil pooled time-series cross-sectional data sets.[54]

Finally, the model includes a set of twenty-six dummy variables, one for each year covered by the data (1971–97), less one to mitigate autocorrelation. These are designed to capture two types of time-specific effects. The first is the cold war, which may have blocked many transitions to democracy. The second are contagion effects that influenced states at different times in Southern and Eastern Europe, Latin America, and sub-Saharan Africa, where early transitions to democracy appeared to boost the likelihood of subsequent transitions in proximate states.

The tests were run with a feasible generalized least-squares process using Stata 6.0.[55] Since I include a lagged dependent variable on the right-hand side of the equation, I correct for first-order autocorrelation using a panel-specific process, which allows the degree of autocorrelation to vary from country to country.

I use a five-year lag for all independent and control variables. The lag gives more confidence that the causal arrow is pointing in the right direction; it also enables me to look for factors that have an enduring impact on regime types. As I illustrate below, using shorter lags does not change the results of the basic model, but it does increase the absolute value of the coefficient of the lagged dependent variable relative to the other explanatory variables. Hence with a one-year lag, a country's current regime type becomes overwhelmingly a function of its regime type in the previous year, while the influence of other variables is artificially suppressed.[56]

Results

For the basic model described below, Stata is able to utilize 2,183 country-year observations from 113 states, out of a possible 3,752 observations from 158 states. The data for each of the variables are summarized in Appendix 2.

[54] James A. Stimson, "Regression in Space and Time: A Statistical Essay," *American Journal of Political Science* 29 (November 1985); Nathaniel Beck and Jonathan N. Katz, "What to Do (and Not to Do) with Time-Series Cross-Section Data," *American Political Science Review* 89 (September 1995).

[55] Beck and Katz (fn. 54) recommend using ordinary least squares with "panel-corrected standard errors" when working with panel data if the number of units is less than the number of time points. In this data set the number of units (113) exceeds the number of time points (27).

[56] Christopher H. Achen, "Why Lagged Dependent Variables Can Suppress the Explanatory Power of Other Independent Variables" (Paper presented at the annual meeting of the Political Methodology Section of the American Political Science Association, Los Angeles, July 20–22, 2000).

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TABLE 3
RESOURCE WEALTH AND DEMOCRACY[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*	*4*
Regime	.253***	.894***	.25***	.246***
	(.0203)	(.00846)	(.0203)	(.0204)
Oil	−.0346***	−.0078***	−.0339***	−.0393***
	(.0051)	(.0024)	(.00506)	(.00543)
Minerals	−.0459***	−.00718*	−.0438***	−.0455***
	(.00778)	(.00317)	(.0081)	(.00804)
Income (log)	.922***	.119***	.935***	.965***
	(.105)	(.0342)	(.106)	(.107)
Islam	−.018***	−.0031***	−.0178***	−.0173***
	(.00208)	(.000665)	(.0021)	(.00211)
OECD	1.47***	.176*	1.42***	1.44***
	(.308)	(.0781)	(.305)	(.308)
Food	—	—	.0244*	—
			(.0102)	
Agriculture	—	—	—	.042
				(.0239)
Observations	2183	2498	2182	2178
States	113	115	113	113
Log likelihood	−3133	−3283	−3129	−3123

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags, except in column 2, where they are entered with a one-year lag. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using a panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

The results of the basic model are reported in Table 3, column 1. All of the variables are highly significant with the expected signs.[57] Both *Oil* and *Minerals* have strong antidemocratic effects; these effects are of roughly the same magnitude, although the *Minerals* coefficient is somewhat larger.[58]

[57] Most of the coefficients for the year dummies are also significant: for years 1971–89 the coefficients are negative and range from marginally to highly significant; for 1990 the coefficient is negative but not significant; and for years 1991–96 the coefficients are positive, although all but one (1994) are not significant.

[58] These results were unaffected by the inclusion of other variables that are sometimes significant in democracy regressions, including educational attainment, status as a former British colony, Catholic population, and trade openness. Only the last variable was significant. When run with a random-effects process, a Hausman test produces a chi^2 of 466 and a P value of 0.000. When run with a fixed-effects process, however, none of the right-hand-side variables—except for the lagged dependent variable and Log Income—are significant.

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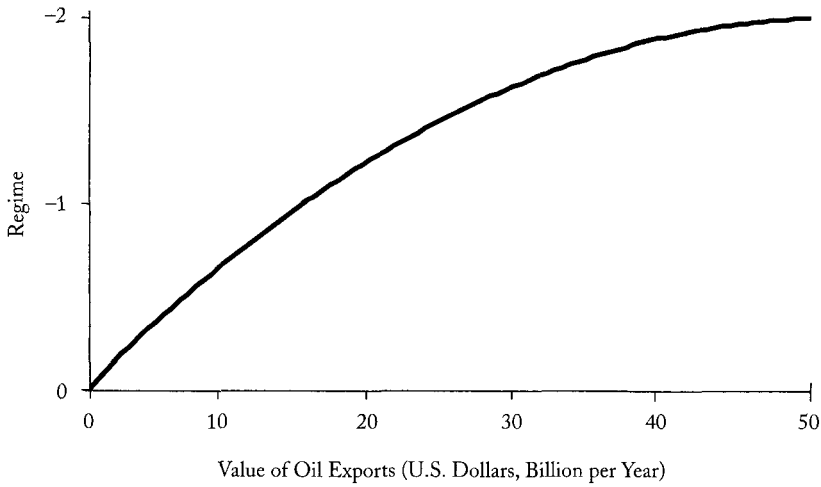

FIGURE 1
IMPACT OF OIL EXPORTS ON REGIME

[a] This figure shows the net predicted impact of oil exports on the 0–10 variable *Regime*, for a hypothetical country of twenty million people with a per capita income of $1,720 dollars a year, which is the sample mean. Note the scale on the Y-axis is negative.

The results suggest that the antidemocratic properties of oil and mineral wealth are substantial: a single standard deviation rise in the *Oil* variable produces a .49 drop in the 0–10 democracy index over the five-year period, while a standard deviation rise in the *Minerals* variable leads to a .27 drop. A state that is highly reliant on oil exports—at the 1995 level of Angola, Nigeria, or Kuwait—would lose 1.5 points on the democracy scale due to its oil wealth alone. A state that was equally dependent on mineral exports would lose 2.1 points.

The model also implies, however, that the impact of any new oil or mineral wealth may be partly offset by a rise in income. To complicate matters, the influence of *Oil* and *Minerals* on *Regime* is nonlinear, and the magnitude of their impact depends on the state's prior level of income.[59]

As Figure 1 shows, the marginal influence of *Oil* on *Regime* is larger when oil exports are a small fraction of the economy, and it drops as the country grows more reliant on oil. While Barro and Przeworski et al. imply that oil wealth matters only when exports reach extraordinarily

[59] These effects occur because *Income* is entered in the model as a logarithmic function and because an oil discovery will influence both the numerator and the denominator in the *Oil* variable.

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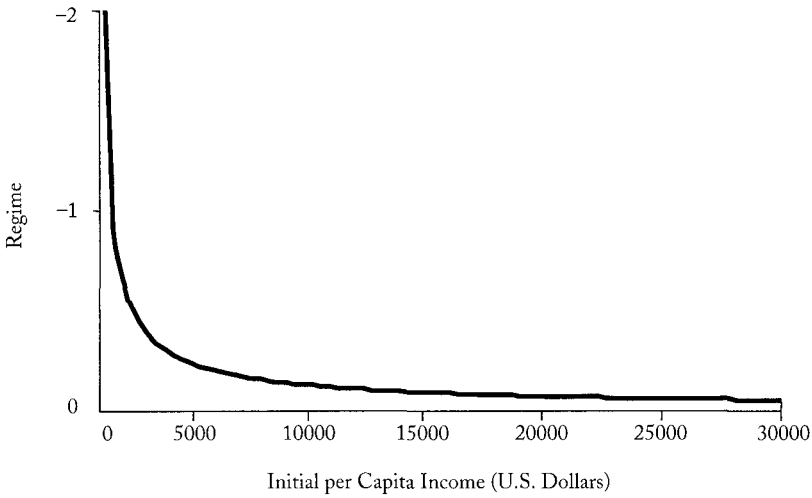

FIGURE 2
IMPACT OF $10 BILLION ANNUAL RISE IN OIL EXPORTS ON REGIME, BY INITIAL PER CAPITA INCOME

[a] This figure shows the net predicted impact of a $10 billion rise in oil exports on the 0–10 variable *Regime*, by initial per capita income, for a hypothetical country with a population of twenty million, with no prior oil exports. Note the scale on the Y-axis is negative.

high levels, this test suggests the opposite: barrel for barrel, oil harms democracy more in oil-poor countries than in oil-rich ones.

The test also implies that oil and mineral wealth cause greater damage to democracy in poor countries than in rich ones (see Figure 2). Imagine a country whose per capita income is $800 a year—about the level of Chad, Mozambique, and Yemen—with a population of twenty million and no oil exports. Suppose prospectors find an oil field that produces $10 billion of petroleum each year, all of which is exported. The new oil would simultaneously boost per capita income (a prodemocratic effect) and raise the *Oil* variable (an antidemocratic effect). The model predicts that after five years the government would become less democratic, losing about .93 on the 0–10 democracy scale. A comparable discovery in a state whose initial per capita income was $1,720—the sample mean—would lose .54 points; if the per capita income were $8,000—about the level of Mexico and Malaysia—the same oil field would be associated with a drop of just .16 in *Regime*. This pattern is consistent with the observation that large oil discoveries appear

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to have no discernible antidemocratic effects in advanced industrialized states, such as Norway, Britain, and the U.S., but may harm or destabilize democracy in poorer countries.

To determine how general and robust these effects are, I carry out five additional tests. First, to see whether the results are sensitive to the duration of the lag on the right-hand-side variables, I run the same model using one-year lags on all the explanatory variables (Table 3, column 2). All of the variables remain significant, although the absolute value of the coefficient on the lagged regime type variable grows, and the absolute values and significance of the coefficients on the other variables are reduced, perhaps artificially.[60]

Next, to see whether other types of commodity exports also inhibit democratization, I add two variables to the model: *Food,* which measures the value of all food exports as a fraction of GDP, and *Agriculture,* which measures the value of all nonfood agricultural exports as a fraction of GDP. As columns 3 and 4 of Table 3 show, the coefficients on *Food* and *Agriculture* are both positive—unlike *Oil* and *Minerals,* which are negative. These findings are consistent with the rentier state thesis: oil and other minerals impede democracy, but other primary commodities—which generate few or no rents, produce less export income for the state, and employ a larger fraction of the labor force—do not.

The third test is designed to see whether the model is heavily influenced by the inclusion of small states in the sample. Some of the states most dependent on oil have small populations, including Brunei and the Persian Gulf states of Bahrain, Kuwait, Qatar, and the United Arab Emirates; it would not be surprising if they had a large influence on the magnitude and significance of the *Oil* variable. To determine this, I placed a dummy variable, *Large States,* in the model; it was coded 0 if a state's population was below one million and 1 otherwise. The results are displayed in Table 4, column 1. The coefficient on the population dummy is positive and significant at the 0.05 level, indicating that small states *do* tend to be less democratic than large ones; yet its inclusion has only a tiny influence on the *Oil* and *Minerals* coefficients and leaves them highly significant.

The fourth test looks at whether the apparent effects of *Oil* and *Minerals* are caused by cultural or historical impediments to democratization that are specific to the Middle East and sub-Saharan Africa, two regions where these states are most heavily concentrated. I add two dummy variables to the regression, *Mideast* and *SSAfrica,* which were

[60] See Achen (fn. 56).

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TABLE 4
RESOURCE WEALTH AND DEMOCRACY[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*
Regime	.255***	.209***	.227***
	(.0203)	(.0205)	(.0203)
Oil	−.0333***	−.0209***	−.0138*
	(.00511)	(.00512)	(.00557)
Minerals	−.0439**	−.0265***	−.0336***
	(.00802)	(.00718)	(.00761)
Income (log)	.947***	.789***	.895***
	(.105)	(.117)	(.112)
Islam	−.0178***	−.00538	−.013***
	(.00209)	(.0033)	(.00238)
OECD	1.41***	1.6***	1.39***
	(.306)	(.31)	(.286)
Large States	.828*	—	—
	(.406)		
Mideast	—	−3.65***	—
		(.386)	
SSAfrica	—	−1.62***	−.998***
		(.2)	(.194)
Arabian Peninsula	—	—	−3.74***
			(.49)
Observations	2183	2183	2183
States	113	113	113
Log likelihood	−3133	−3086	−3100

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

coded 1 if the states were classified by the World Bank as residing in these regions and 0 otherwise. While the lagged dependent variable helps control for unspecified country-level effects—which might crudely be summarized as "the country's history"—*Mideast* and *SSAfrica* test for additional region-level effects, or "the region's history."

The results are listed in column 2 of Table 4. The coefficients for both *Mideast* and *SSAfrica* are large, negative, and highly significant. The coefficients on the *Oil* and *Minerals* variables are again reduced but remain highly significant. The *Islam* variable loses significance, due to its high correlation with the *Mideast* variable (=.65).

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For the final test, I use a new dummy, *Arabian Peninsula,* in place of the *Mideast* dummy; it was coded 1 for the seven states of the Arabian Peninsula (Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, the United Arab Emirates, and Yemen) and 0 otherwise. Conceivably the *Mideast* dummy is too broad, since it attempts to capture the effects of residing in a region that is socially and geologically diverse. The antidemocratic effects of oil might be somewhat more restricted to the Arabian Peninsula, which is dominated by monarchies, sparsely populated, and endowed with spectacular oil wealth. Using *Arabian Peninsula* instead of *Mideast* reduces the problem of collinearity with *Islam,* although *Arabian Peninsula* and *Oil* remain highly collinear (simple correlation =.74). Still, while including the *Arabian Peninsula* dummy reduces the magnitude of the *Oil* coefficient by about 60 percent, *Oil* remains significant at the 0.05 level.

These tests support both the validity and the generality of the oil-impedes-democracy claim. They suggest the following: that a state's reliance on either oil or mineral exports tends to make it less democratic; that this effect is not caused by other types of primary exports; that it is not limited to the Arabian Peninsula, to the Middle East, or to sub-Saharan Africa; and that it is not limited to small states. These findings are generally consistent with the theory of the rentier state.

Area specialists might also feel vindicated in noting that in these tests the most powerful impediments to democracy include the variables $Regime_{t-5}$, *Mideast,* and *Arabian Peninsula,* which represent the accumulation of historical and cultural factors in each country, and in the Arabian Peninsula and Mideast regions, that are not captured by income, resource wealth, Islam, or non-Western status. This underscores the critical importance of case studies in explaining regime types.

Causal Mechanisms

To test the three causal mechanisms I add to the basic model a series of intervening variables, lagged by one year. Adding new variables reduces the sample size from 2,183 observations to between 2,183 and 426 observations. As the sample shrinks, it becomes increasingly skewed toward states that are relatively wealthy, democratic, and Western, introducing a pronounced sample bias. To minimize this problem, after running each of the following regressions, I run a second regression using the same reduced sample, but without the intervening variable. I then compare the two regressions. If the intervening variable is valid, it should be statistically significant, and—if the *Oil* and *Minerals* variables

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are significant in the reduced sample—its inclusion should reduce the absolute values of the *Oil* and *Minerals* coefficients. This provides at least a crude test of some of the causal mechanisms.

Rentier Effect

To test the rentier hypothesis, I use three indicators. For the taxation effect I use the variable *Taxes,* which is the percentage of government revenue collected through taxes on goods, services, income, profits, and capital gains. The taxation effect implies that states that fund themselves through these assorted personal and corporate taxes (and hence have higher values on the *Taxes* variable) should be more democratic; conversely, states that fund themselves through other means (such as trade taxes, parastatals, external grants, and right-of-way fees) should be more authoritarian. The variable is constructed from data collected by the International Monetary Fund and covers 104 of the 113 states in the basic model.

To test the spending effect I use *Government Consumption,* which measures government consumption as a percentage of GDP; this includes all current spending for purchases of goods and services (including wages and salaries) by all levels of government. If the spending effect is valid, higher levels of government spending should result in less democracy. The data cover 104 states and are compiled by the World Bank, which in turn collects information from the OECD, national statistical organizations, central banks, and World Bank missions.

The third variable is *Government/GDP,* which measures the share of GDP accounted for by government activity, in 1985 international prices; the data are from Summers and Heston.[61] This final indicator is one way to look for a group-formation effect. Proponents of this effect imply that as governments increase in size (relative to the domestic economy) they are more likely to prevent the formation of civic institutions and social groups that are independent from the government, and that the absence of these groups will hinder a transition to democracy.[62] Without good indicators for civic institutions or social groups, this hypothesis cannot be tested directly with regression analysis. Still, the *Government/GDP* variable offers an indirect test: the greater the government's size (as a fraction of GDP), the less likely that independent social groups will form.

[61] Robert Summers and Alan Heston, "Penn World Tables, Version 5.6," http://cansim.epas.utoronto.ca;5680/pwt/pwt.htm/, 1999 (consulted March 1, 2000).

[62] Of course, a larger budget may not be the only cause of such government actions, but it is the only cause that can be linked to resource wealth in an obvious way.

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TABLE 5
THE RENTIER EFFECT[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*
Regime	.259***	.243***	.251***
	(.021)	(.0211)	(.0203)
Oil	−.0223***	−.0323***	−.0351***
	(.00647)	(.00544)	(.00511)
Mineral	−.0157	−.0463***	−.0369***
	(.0113)	(.00677)	(.00675)
Income (log)	1.005***	.889***	.857***
	(.104)	(.112)	(.106)
Islam	−.0165***	−.0191***	−.0161***
	(.00205)	(.00218)	(.00212)
OECD	1.19***	1.57***	1.53***
	(.272)	(.314)	(.303)
Taxes	.02***	—	—
	(.00373)		
Government Consumption	—	−.0305***	—
		(.00866)	
Government/GDP	—	—	−.0332***
			(.00739)
Observations	1698	2121	2168
States	104	110	111
Log likelihood	−2320	−3036	−3107

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]Independent and control variables are entered with five-year lags; intervening variables (*Taxes, Government Consumption, Government/GDP)* are entered with one-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

As Table 5 shows, the coefficient on *Taxes* is highly significant and positive: as the rentier effect implies, higher personal and corporate taxes are strongly associated with more democratic government. Moreover, the inclusion of *Taxes* produces a 17 percent drop in the *Oil* coefficient, which implies that the taxation effect may account for part of the antidemocratic influence of *Oil*.[63] While it is possible that causality also runs the other way—that regime type influences taxation—it should be in the opposite direction: more democratic governments

[63] The *Minerals* variable is not significant in this sample, making it difficult to draw inferences about the mineral-exporting states.

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should be less disposed to fund themselves through personal and corporate taxes, given their unpopularity.

The effect of taxes on regime types turns out to be strictly short term: when *Taxes* is introduced into the model with a two- or three-year lag, its coefficient quickly drops in size and loses significance. This implies that tax increases have only short-term effects on democracy: people tend to respond to tax hikes right away or not at all.[64]

The *Government Consumption* variable is also highly significant in the hypothesized direction (Table 5, column 2). When *Government Consumption* is included in the model, *Oil* and *Minerals* drop slightly, by 7 and 6 percent, respectively. The spending effect appears to last longer than the taxation effect: the *Government Consumption* variable has much the same effect on regime type after three years as it does after one.

These results are not likely caused by endogeneity. While there is evidence that regime type influences levels of government consumption, it is in the opposite direction found here: democratic governments tend to favor higher levels of social spending than their authoritarian counterparts.[65]

Finally, *Government/GDP* is also highly significant with the hypothesized sign: the larger the government, the less movement toward democracy over the following five years. Its inclusion has no effect on the *Oil* variable but produces a 12 percent drop in the *Minerals* variable (Table 5, column 3).

In short, the results are consistent with all three aspects of the rentier effect.

Repression Effect

I use two variables to test the hypothesis that resource wealth causes governments to arm themselves more heavily against popular pressures. The first is *Military/GNP*, which measures the size of the military budget as a fraction of GNP. The data were originally collected by the Arms Control and Disarmament Agency (ACDA) of the U.S. government and

[64] Note that other studies have found that a government's reliance on personal and corporate tax revenues is strongly and negatively influenced by per capita income: poor states tend to rely on trade taxes, rich ones on personal and corporate taxes. See William Easterly and Sergio Rebelo, "Fiscal Policy and Economic Growth," *Journal of Monetary Economics* 32 (December 1993); Howell H. Zee, "Empirics of Cross-Country Tax Revenue Comparisons," *World Development* 24 (October 1996). Since per capita income is included in the model, the actual effect of *Taxes* on regime types is probably larger than the coefficient in this regression suggests.

[65] David S. Brown and Wendy Hunter, "Democracy and Social Spending in Latin America, 1980–92," *American Political Science Review* 93 (December 1999).

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cover 101 states between 1985 and 1995.[66] Since resource-rich states tend to have government budgets that are atypically large relative to the size of their economies, this is a better indicator than military spending as a fraction of government spending.

The second variable is *Military Personnel,* which measures the size of the military as a fraction of the labor force; it includes some paramilitary forces "if those forces resemble regular units in their organization, equipment, training, or mission." The data are also from ACDA and are available from 1985 to 1995 for 105 of the states in the database. Unlike the *Military/GNP* measure, this indicator helps control for variations in military wages and the presence of conscription across states.

When *Oil, Minerals,* and *Income* are regressed on *Military/GNP* directly (with a five-year lag), the behavior of oil exporters and mineral exporters diverges. Oil exports are indeed positively and significantly correlated with military spending, as the repression hypothesis suggests; but mineral exports are negatively and significantly associated with military spending. Neither variable is significantly linked with *Military Personnel.*

When *Military/GNP* is placed in the basic model of regime types, its coefficient is negative and marginally significant at the 0.10 level; its inclusion produces a 6 percent drop in the *Oil* coefficient (Table 6). The *Military Personnel* coefficient is negative and highly significant, although it paradoxically induces a 7 percent rise in *Oil.* In both samples the *Minerals* coefficient is not significant and cannot be interpreted. Overall, it appears that oil wealth may be linked to higher levels of military spending, which in turn tends to impede democracy, as the repression effect suggests. But there is no evidence of a similar pattern for mineral wealth; nor is there evidence to support the claim that oil or mineral wealth leads to higher levels of military personnel.

Why do oil-rich governments invest as much as they do on their militaries? Is it to repress popular pressures, or is it a response to higher levels of instability? To address this question I use data from the Political Risk Services Group, a private firm that uses subjective measures to gauge investment risks for its clients. It produces a 0–6 measure of *Ethnic Tensions,* which measures "the degree of tension within a country attributable to racial, nationality, or language divisions." Scores are available for 102 states between 1982 and 1997. Higher values indicate less ethnic tension. When added to the model—first separately, then

[66] Since the data cover only eleven years, the maximum number of possible observations for these regressions drops from 3,752 to 1,642.

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TABLE 6
THE REPRESSION EFFECT[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*
Regime	.414***	.334***	.34***
	(.032)	(.0314)	(.0262)
Oil	−.0591***	−.0679***	−.0517***
	(.00566)	(.00632)	(.00609)
Minerals	.0169	−.00344	−.000964
	(.0272)	(.0179)	(.0201)
Income (log)	.848***	.822***	.824***
	(.132)	(.145)	(.117)
Islam	−.0173***	−.0158***	−.0263***
	(.00266)	(.00235)	(.00251)
OECD	−.071	−.00168	−.0957
	(.332)	(.355)	(.3)
Military/GNP	−.0366	—	—
	(.0197)		
Military Personnel	—	−.09**	—
		(.0304)	
Ethnic Tensions	—	—	−.0254
			(.0485)
Observations	841	874	1167
States	101	105	102
Log likelihood	−1228	−1293	−1642

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags; intervening variables (*Military/GNP, Military Personnel, Ethnic Tensions*) are entered with one-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

together with *Military/GNP*, and finally controlling for ethnolinguistic fractionalization—the *Ethnic Tensions* variable is not statistically significant (Table 6, column 3). In other words, tensions caused by racial, national, or language divisions do not explain why oil-rich states spend so heavily on repression.

MODERNIZATION EFFECT

To test the modernization hypothesis I use eleven indicators to determine whether abnormally low levels of occupational specialization, education, health services, media participation, and urbanization can help

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explain the dearth of democracy in the resource-rich states. The large number of indicators allows me to test both Inglehart's version of modernization theory and earlier versions described by Lerner, Deutsch, and Lipset.

According to Inglehart, occupational specialization and education are the key links between economic growth and democracy. To measure occupational specialization I look at the number of men and women in the economy's secondary (industrial) and tertiary (services) sectors as a fraction of the men and women in the economically active population. These data are drawn from the International Labor Organization and cover 76 of the 113 states used in the basic model.

For educational levels, I use figures on the enrollment of men and women in secondary school as a fraction of the corresponding age group in the population at large and figures on college enrollment as a fraction of the population. Both data sets are collected by national governments and assembled by the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Figures on secondary enrollment are available for forty-eight countries; figures on college enrollment are available for ninety-six countries.

Early proponents of modernization theory suggested that improvements in a population's physical health can also lead to democratization.[67] More recently Inglehart has argued that as a population's basic nutritional and health needs are satisfied, they will increasingly turn to "postmaterialist" values, including a desire for self-expression and individual freedom; this value shift, in turn, will facilitate more democratic government.[68] Earlier scholars measured the quality of a population's health by using the number of doctors per capita. Here I use life expectancy at birth, a measure that also accounts for nutrition levels and the distribution of health services across the population. The underlying data are compiled by several UN agencies and cover ninety states.

In Lipset's classic analysis, the greater a society's level of "media participation," the more likely it is to be democratic.[69] Lipset measured media participation using telephones, radios, and newspaper copies per capita. To update these indicators slightly, I measure both the number of telephone mainlines and televisions per capita. Data on telephone mainlines and televisions are collected by the International Telecom-

[67] Daniel Lerner, *The Passing of Traditional Society* (New York: Free Press, 1958); Deutsch (fn. 38).
[68] Inglehart (fn. 1).
[69] Lipset (fn. 38).

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TABLE 7
THE MODERNIZATION EFFECT[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*	*4*
Regime	.529***	.462***	.513***	.604***
	(.0316)	(.0408)	(.0336)	(.0324)
Oil	−.0182	−.116	−.0187	−.0315
	(.0221)	(.0202)	(.0207)	(.0234)
Minerals	.146*	.112	.0952	.115
	(.0666)	(.0635)	(.0657)	(.0714)
Income (log)	−.251	.565*	−.408	3.8
	(.305)	(.271)	(.343)	(.344)
Islam	−.0121	−.0154**	−.0232***	−.000534
	(.0082)	(.00545)	(.00652)	(.0104)
OECD	.752*	.652	1.13**	.391
	(.419)	(.432)	(.372)	(.419)
Men in Industry	.0733***	—	—	—
	(.0143)			
Women in Industry	—	.0814***	—	—
		(.0166)		
Men in Services	—	—	.0685***	—
			(.0155)	
Women in Services	—	—	—	−.0185***
				(.00512)
Observations	626	615	622	629
States	75	75	76	76
Log likelihood	−878	−772	−835	−921

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags; intervening variables (*Men in Industry, Women in Industry, Men in Services, Women in Services*) are entered with one-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

munications Union and are available for 113 and 110 states, respectively, and cover virtually all country years in the data set.

Finally, Lipset also suggested that higher levels of urbanization will lead to higher levels of democracy. To measure urbanization I use the fraction of a state's population currently living in urban areas. The data, collected by the United Nations, are available for all 113 states.

The results from these regressions are reported in Tables 7, 8, and 9. All of the variables measuring occupational specialization are highly

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TABLE 8
THE MODERNIZATION EFFECT[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*
Regime	.378***	.378***	.34***
	(.0449)	(.0451)	(.0334)
Oil	−.0158	−.0168	−.033***
	(.00966)	(.00952)	(.00991)
Minerals	.0251	.0255	.0517
	(.0431)	(.0433)	(.0325)
Income (log)	.258	.364	.678***
	(.296)	(.29)	(.19)
Islam	−.0393***	−.0385***	−.0348***
	(.00507)	(.00479)	(.00407)
OECD	.159	.187	−.0759
	(.345)	(.336)	(.436)
Male Secondary Enrollment	.004	—	—
	(.00856)		
Female Secondary Enrollment	—	.000812	—
		(.00882)	
College Enrollment	—	—	−.00289
			(.0105)
Observations	426	426	688
States	48	48	96
Log likelihood	−566	−563	−1109

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags; intervening variables (*Male Secondary Enrollment, Female Secondary Enrollment, College Enrollment*) are entered with one-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

significant and positively associated with democracy, as predicted by proponents of modernization theory. The evidence that oil and mineral wealth influence occupational specialization, however, is somewhat weak.[70] The variables measuring education, life expectancy, urbanization, and televisions per capita are not significant, while the measure of

[70] Neither *Oil* nor *Minerals* is significantly correlated with democracy in these reduced samples, which makes it hard to be confident about these results. When *Oil* and *Minerals* are regressed on each of the four variables for occupational specialization (with *Income* and *Islam* included as control variables), the results are mixed: *Oil* is negatively correlated with *Men in Industry* but positively correlated with *Women in Industry; Minerals* is not significantly correlated with *Men in Industry* and is negatively, but weakly, linked to *Women in Industry*.

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TABLE 9
THE MODERNIZATION EFFECT[a]
(DEPENDENT VARIABLE IS REGIME)

	1	*2*	*3*	*4*
Regime	.194***	.196***	.413***	.253***
	(.0232)	(.0225)	(.0516)	(.0203)
Oil	−.0463***	−.04***	.0247	−.0346***
	(.00609)	(.00551)	(.039)	(.00509)
Minerals	−.00929	−.0085	−.0376	−.0441***
	(.016)	(.0152)	(.0605)	(.008)
Income (log)	1.24***	.882***	1.07***	.983***
	(.119)	(.134)	(.315)	(.149)
Islam	−.0194***	−.023***	−.0104	−.0174***
	(.00214)	(.00231)	(.0168)	(.00213)
OECD	2.96***	1.75***	−.041	1.51***
	(.482)	(.351)	(.412)	(.31)
Telephones	−.00543***	—	—	—
	(.00118)			
TVs	—	−.00096	—	—
		(.00079)		
Life Expectancy	—	—	.00378	—
			(.0616)	
Urban	—	—	—	−.00278
				(.005)
Observations	1830	1831	777	2183
States	113	110	103	113
Log likelihood	−2830	−2676	−857	−3133

* significant at the 0.05 level; ** significant at the 0.01 level; *** significant at the 0.001 level

[a]All independent and control variables are entered with five-year lags; intervening variables (*Telephones, TVs, Life Expectancy, Urban*) are entered with one-year lags. Standard errors are in parentheses below the coefficients. Feasible Generalized Least Squares regressions run with Stata 6.0; corrected for first-order autocorrelation using panel-specific process. Each regression is run with dummy variables for every year (but one) covered by the data.

telephones per capita is highly significant but negatively correlated with democracy.

There are at least two ways to interpret these results. One is that the modernization effect is essentially valid but that occupational specialization is the only real causal mechanism behind it, with the other correlates of modernization being epiphenomenal. A second interpretation is that in resource-rich countries both the modernization effect and the spending effect occur simultaneously: relatively few people are drawn into the industry and service sectors; yet thanks to its large revenues,

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the government can generously subsidize education, health care, and other services. The result is that the public enjoys generous social services yet is politically hampered by two antidemocratic forces: a lack of occupational specialization and a government that uses its fiscal powers to dampen dissent.

The results of these tests are at least weakly consistent with each of the three causal mechanisms. Collectively, they provide quantitative backing for the rentier effects described by a generation of Mideast specialists, for the repression effects observed in the case studies above, and for a modified form of the modernization thesis. Still, the causality tests rely on data that are incomplete and potentially biased, so the results should be treated as suggestive, not conclusive.

Conclusion

This article has four main findings. First, the oil-impedes-democracy claim is both valid and statistically robust; in other words, oil *does* hurt democracy. Moreover, oil does greater damage to democracy in poor states than in rich ones, and a given rise in oil exports will do more harm in oil-poor states than in oil-rich ones. Hence, oil inhibits democracy even when exports are relatively small, particularly in poor states.

Second, the harmful influence of oil is not restricted to the Middle East. Oil wealth has probably made democratization harder in states like Indonesia, Malaysia, Mexico, and Nigeria; it may well have the same affect on the oil-rich states of Central Asia.

The third finding is that nonfuel mineral wealth also impedes democratization. While the major oil exporters are concentrated in the Mideast, major mineral exporters are scattered across Africa, Asia, and the Americas; this group includes many states where progress toward democracy has been halting or elusive, including Angola, Chile, the Democratic Republic of Congo, Cambodia, and Peru.

Each of these findings runs counter to the assumptions of earlier scholars that the antidemocratic effects of oil—if they existed—were restricted to the Middle East, that they influenced only states that were almost wholly dependent on oil, and that they did not extend to the mineral-rich states.

The fourth finding is that there is at least tentative support for three causal mechanisms that link oil and authoritarianism: a rentier effect, through which governments use low tax rates and high spending to dampen pressures for democracy; a repression effect, by which governments build up their internal security forces to ward off democratic

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pressures; and a modernization effect, in which the failure of the population to move into industrial and service sector jobs renders them less likely to push for democracy. The links between mineral wealth and authoritarianism are more elusive: the mineral exporters appear to suffer from a rentier effect but not a repression effect, and there is only weak evidence that they are afflicted by a modernization effect.

Collectively, these findings should help vindicate two very different theories of comparative politics: modernization theory, which after falling out of favor in the 1970s and 1980s made a strong comeback in the 1990s; and the theory of the rentier state, which has long been championed by Middle East area specialists but overlooked by scholars of democratization.

They also highlight the value of bringing cross-national quantitative studies into closer contact with area studies. Global studies of democracy have generally overlooked the Mideast, a practice that is difficult to justify methodologically (since it arbitrarily truncates the researcher's sample of states) and one that has contributed to a belief that the Middle East region is sui generis. Of course, the history and culture of the Mideast *are* exceptional: note the enormous coefficient on the *Mideast* dummy variable in Table 4. But excluding Middle Eastern states from large-N studies of democracy can only widen the gap between area studies and the rest of political science. It also deprives mainstream political science of the many insights developed by area studies scholars—insights that, like the oil-impedes-democracy claim, may turn out to have general applications.

Finally, these findings have implications for the fate of resource-rich states across the developing world. Many of the world's most troubled states have high levels of oil and mineral wealth. Earlier studies have shown that resource wealth tends to reduce economic growth and to increase the likelihood of civil war. This article suggests there is a third component to "resource curse": authoritarian rule.

These three effects may interact in pernicious ways, creating a "resource trap." Authoritarian governments may be less able to resolve domestic conflicts and hence more likely to suffer from civil war. Slow growth may make domestic unrest tougher to resolve; civil wars, in turn, wreak economic havoc. There is nothing inevitable about the resource curse: states like Malaysia, Chile, and Botswana have done relatively well despite their oil and mineral wealth. Yet most others have found—like King Midas—that their resource wealth can be an unexpected source of grief.

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Appendix 1: Definition of Variables[71]

Regime is a 0–10 variable indicating a country's regime type, with 0 as a perfect autocracy and 10 a full democracy. It is taken from the Polity 98 data set compiled by Gurr and Jaggers, who assign a 0–10 indicator for both level of autocracy and level of democracy.[72] Each is a composite of underlying variables that measure the way chief executives are recruited, whether they gain office through competitive elections, whether nonelites may obtain executive office, and whether they are constrained by, and accountable to, other actors. Following Londregan and Poole, I transform these two measures into a single indicator by subtracting the autocracy measure from the democracy measure and by rescaling the resulting −10 to 10 scale as a 0 to 10 scale.[73] For the six states with populations greater than one million for which Gurr and Jaggers offer no indicators (Austria, Cameroon, Democratic Republic of Congo, Libya, Sierra Leone, and Switzerland), I use data from Freedom House (1972–98) instead, summing their measures for "political rights" and "civil liberties" and converting the results to the 0–10 scale.

Log Income is the natural log of real per capita GDP, in current international dollars. Most of the data come from Summers and Heston; missing values have been imputed using data from the World Bank.[74]

Oil is the export value of mineral-based fuels as a percentage of GDP. Mineral-based fuels include petroleum, natural gas, and coal, as classified under SITC revision 1, section 3. Following the practice of Sachs and Warner, I corrected the export figures for Singapore and Trinidad to reflect *net* exports, since both states are transshipment points for raw materials extracted in nearby states.[75] The values for both states were set at 0.01.

Minerals is the export value of nonfuel minerals as a percentage of GDP; it includes all ores and metals classified under SITC revision 1, sections 27, 28, and 68. Following the practice of Sachs and Warner, I corrected the export figures for Singapore and Trinidad to reflect *net* exports, since both states are transshipment points for raw materials extracted in nearby states.[76] The values for both states were set at 0.01.

[71] Unless otherwise indicated, the data below were derived from World Bank, "World Development Indicators," CD-ROM (Washington, D.C.: World Bank, 1999).
[72] Gurr and Jaggers (fn. 42)
[73] Londregan and Poole (fn. 43).
[74] Summers and Heston (fn. 61).
[75] Sachs and Warner (fn. 3, 1999).
[76] Ibid.

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Islam is the percentage of the population whose professed religious affiliation in 1970 was Muslim.[77]

OECD is a dummy variable coded 1 for the following states and 0 for all others: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.

Agriculture is the export value of all nonfood agricultural raw materials, as a percentage of GDP. This includes all commodities classified as falling in SITC revision 1, section 2 (excluding divisions 22, 27, and 28).

Food is the export value of all edible agricultural commodities, as a percentage of GDP. This includes all commodities classified as falling in SITC sections 0, 1, and 4, and division 22.

Large States is a dummy variable coded 1 for states with populations over one million at any point between 1971 and 1997, and 0 otherwise.

Mideast is a dummy variable coded 1 for the following states and 0 otherwise: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen.

SSAfrica is a dummy variable coded 1 for states classified by the World Bank as residing in sub-Saharan Africa and 0 otherwise.

Arabian Peninsula is a dummy variable coded 1 for the states on the Saudi Arabian peninsula (Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, the United Arab Emirates, and Yemen) and 0 otherwise.

Men in Industry and *Women in Industry* indicate the fraction of the total working population of each gender group working in activities defined by the ILO as "industry." This includes mining and quarrying (including oil production), manufacturing, electricity, gas and water, and construction, corresponding to major divisions 2–5 (ISIC revision 2) or tabulation categories C–F (ISIC revision 3). The data are compiled by the World Bank's Development Data Group using an ILO database corresponding to table 2a in its *Yearbook of Labour Statistics*.

Men in Services and *Women in Services* indicate the fraction of the total working population of each gender group working in activities defined by the ILO as "services." Services include wholesale and retail trade and restaurants and hotels; transport, storage, and communications; financing, insurance, real estate, and business services; and community, social, and personal services, corresponding to major divisions 6–9 (ISIC

[77] David B Barrett, ed., *World Christian Encyclopedia* (New York: Oxford University Press, 1982).

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revision 2) or tabulation categories G–P (ISIC revision 3). The data are compiled by the World Bank's Development Data Group using an ILO database corresponding to table 2a in its *Yearbook of Labour Statistics*.

Male Secondary Enrollment and *Female Secondary Enrollment* indicate the fraction of males and females enrolled in secondary school, relative to their numbers in the population. The data are reported to the United Nations Educational, Scientific, and Cultural Organization (UNESCO) by national education authorities.

College Enrollment indicates the fraction of the population enrolled in college. The data are reported to UNESCO by national education authorities.

Life Expectancy indicates the life expectancy at birth of both males and females. The underlying figures are from the United Nations Department of Economic and Social Affairs, Population and Vital Statistics Report; demographic and health surveys from national sources; and United Nations Children's Fund (UNICEF), *The State of the World's Children, 1999*.

Urban is the midyear population of areas defined as urban in each country and reported to the United Nations, expressed as a fraction of the total population. The data are from from the United Nations, *World Urbanization Prospects: The 1996 Revision*.

Telephones is the number of telephone mainlines (that is, separate lines to a given household or firm) per thousand people. The data are derived from the International Telecommunication Union (ITU), *World Telecommunication Development Report*.

TVs is the number of televisions per thousand people, according to an annual questionnaire sent to member countries by the ITU. The data are derived from the ITU, *World Telecommunication Development Report*.

Taxes is the percentage of government revenue raised through taxes on goods, services, income, profits, and capital gains. The data are collected by the IMF.

Government Consumption, expressed as a percentage of GDP, includes "all current expenditures for purchases of goods and services by all levels of government, excluding most government enterprises. It also includes capital expenditure on national defense and security." The data are collected from the OECD and from national statistical organizations and central banks by visiting and resident World Bank missions; they are published by the World Bank.

Government/GDP is the share of GDP accounted for by government activity, in 1985 international prices. The data are from the Penn World Tables.

Military/GNP measures the size of the military budget as a fraction of

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GNP. The data cover 1985–95; they were originally collected by the Arms Control and Disarmament Agency (ACDA) of the U.S. government.

Military Personnel measures the size of the military as a percentage of the labor force; it includes some paramilitary forces "if those forces resemble regular units in their organization, equipment, training, or mission." The data are also from ACDA and cover 1985–95.

Ethnic Tensions is a 0–6 interval-level variable that measures "the degree of tension within a country attributable to racial, nationality, or language divisions." The data cover 97 states between 1982 and 1997; the codings are carried out by a private firm, the Political Risk Services Group, and published in their monthly *International Country Risk Guide;* they are also available as the IRIS-3 computer database. The monthly data have been changed into annual data by taking the mean of the twelve monthly values.

APPENDIX 2:
SUMMARY OF VARIABLES

Variable	*Obs.*	*Mean*	*Std. Dev.*	*Min*	*Max*
Regime	3752	4.48	3.79	0	10
Log Income	3316	7.45	1.2	4.53	10.43
Oil	2322	5.5	14.1	0	115.6
Minerals	2865	2.25	5.8	0	55.1
OECD	4528	.163	.369	0	1
Islam	4336	25	36.6	0	99.7
Food	2511	5.73	6.23	0	45.9
Agriculture	2504	1.68	2.88	0	31.6
Men in Industry	814	29.4	12.7	.4	66.9
Women in Industry	798	15.5	8.99	0	50.2
Men in Services	810	39	14.3	5	69.3
Women in Services	813	52	25.6	9	100
Male Secondary	607	57.7	27.9	3	98.6
Female Secondary	607	58	29.9	1.3	98.5
College	1272	16.9	16.9	.1	97.7
Urban	4372	46.1	25	2.24	100
Life Expectancy	1527	62.5	11.7	31.2	79.8
Telephones	3129	106	154	.1	691
TVs	3040	151	169	0	838
Taxes	2325	50.9	18.7	0	101
Govt. Consumption	3538	15.2	6.51	.897	76.2
Government/GDP	2277	23.8	11.9	0	91.2
Military/GNP	1298	4.36	6.64	0	102
Military Personnel	1440	1.84	2.6	0	29.6
Ethnic Tensions	1739	3.791	1.633	0	6

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ETHNIC CONFLICT AND CIVIL SOCIETY
India and Beyond

By ASHUTOSH VARSHNEY*

MUCH scholarly work has been done on the topics of civil society and ethnic conflict, but no systematic attempt has yet been made to connect the two.[1] The conclusions of my recent, India-based project,[2] supplemented by non-Indian materials, suggest that the links between civil society and ethnic conflict are crying out for serious attention. Does civic engagement between different ethnic communities also serve to contain ethnic conflict? Does *interethnic* engagement differ from *intraethnic* engagement from the perspective of ethnic conflict? What role do civic organizations play in times of ethnic tensions and why? These questions are not simply of academic relevance, and they have yet to be systematically researched. Given that violence marks many multiethnic societies, our research may well have great practical meaning if we can sort out some key relationships.

This article argues that there is an integral link between the structure of civic life in a multiethnic society, on the one hand, and the pres-

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[1] This is not to say that community life *within* ethnic groups has not been studied as part of civil society. A striking recent example, though not the only one, is Michael Walzer, *What It Means to Be American?* (New York: Marsilio, 1992). The view that ethnic (or religious) community life can be called civic is, of course, contested by many. The debate is summarized in Section I.

[2] Ashutosh Varshney, *Ethnic Conflict and Civic Life: Hindus and Muslims in India* (New Haven: Yale University Press, forthcoming).

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ence or absence of ethnic violence, on the other. To illustrate these links, two interconnected arguments are made. First, interethnic and intraethnic networks of civic engagement play very different roles in ethnic conflict. Because they build bridges and manage tensions, interethnic networks are agents of peace, but if communities are organized only along intraethnic lines and the interconnections with other communities are very weak or even nonexistent, then ethnic violence is quite likely. The specific conditions under which this argument may not hold will be theoretically specified toward the end. Their empirical relevance can be ascertained only with further research.

Second, civic networks, both intraethnic and interethnic, can also be broken down into two other types: organized and quotidian. This distinction is based on whether civic interaction is formal or not. I call the first *associational forms of engagement* and the second *everyday forms of engagement*. Business associations, professional organizations, reading clubs, film clubs, sports clubs, NGOs, trade unions, and cadre-based political parties are examples of the former. Everyday forms of engagement consist of simple, routine interactions of life, such as whether families from different communities visit each other, eat together regularly, jointly participate in festivals, and allow their children to play together in the neighborhood. Both forms of engagement, if robust, promote peace: contrariwise, their absence or weakness opens up space for ethnic violence. Of the two, however, the associational forms turn out to be sturdier than everyday engagement, especially when confronted with attempts by politicians to polarize people along ethnic lines. Vigorous associational life, if interethnic, acts as a serious constraint on politicians, even when ethnic polarization is in their political interest. The more the associational networks cut across ethnic boundaries, the harder it is for politicians to polarize communities.

The article also briefly considers how interethnic civic organizations developed in India. Much of India's associational civic structure was put in place in the 1920s, a transformative moment during the freedom movement against the British, when a new form of politics emerged under the leadership of Mahatma Gandhi. After 1920 the movement had two aims: political independence from the British and social transformation of India. Gandhi argued that independence would be empty unless India's social evils were addressed, drawing attention to Hindu-Muslim unity, the abolition of untouchability, self-reliance, women's uplift, tribal uplift, labor welfare, prohibition, and so on. The associational structure of India before Gandhi had been minimal, but the Gandhian shift in the national movement laid the foundations of

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India's associational civic order. In the process, between the 1920s and 1940s, a host of new organizations came into being.

Historical reasoning, therefore, requires that we draw a distinction between proximate and underlying causation. The role of intercommunal civic networks has been crucial for peace at a proximate level. Taking the long view, however, the causal factor was a transformative shift in national politics. Once put in place by the national movement, the civic structures took on a life and logic of their own, constraining the behavior of politicians in the short to medium run.

The article is organized as follows. The first section clarifies three key terms whose meanings are not self-evident: ethnicity, ethnic conflict, and civil society. The second section deals with the puzzle that led me to discover the relevance of civil society for ethnic conflict. The third section summarizes how the puzzle was resolved and presents the arguments that can link ethnic conflict and civil society. The fourth section presents empirical evidence in support of the arguments made. The fifth section considers causation and endogeneity. The final section summarizes the implications of the project for studies of civil society but also suggests a possible set of conditions under which the basic argument about interethnic and intraethnic engagement is unlikely to apply.

I. Clarifying Concepts and Terms

The terms "ethnic," "ethnic conflict," and "civil society" mean different things to different people. To preempt misunderstanding, one needs to specify the meaning one is using.

There are two distinct ways in which the term "ethnic" is interpreted. In the narrower construal of the term, "ethnic" groups mean "racial" or "linguistic" groups. This is the sense in which the term is widely understood in popular discourse, both in India and elsewhere. For example, for politics and conflict based on religious groupings, Indian scholars, bureaucrats, and politicians since the time of the British have used the term "communal," not "ethnic," reserving the latter term primarily for linguistically or racially distinct groups.

There is, however, a second, broader definition. As Horowitz argues, all conflicts based on *ascriptive* group identities—race, language, religion, tribe, or caste—can be called ethnic.[3] In this umbrella usage, eth-

[3] For an analysis of why, on the basis of a myth of common ancestry, ethnicity can take so many forms (language, race, religion, dress, diction), see Donald Horowitz, *Ethnic Groups in Conflict* (Berkeley: University of California Press, 1985), 41–54. One might add that this definition, though by now

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nic conflicts range from (1) the Protestant-Catholic conflict in Northern Ireland and the Hindu-Muslim conflict in India to (2) black-white conflict in the United States and South Africa, (3) the Tamil-Sinhala conflict in Sri Lanka, and (4) Shia-Sunni troubles in Pakistan. In the narrower construction of term, (1) is religious, (2) is racial, (3) is linguistic-cum-religious, and (4) is sectarian. In the past the term "ethnic" would often be reserved for the second and, at best, third conflicts but would not be extended to the first and fourth.

Proponents of the broader usage reject such distinctions, arguing that the form ethnic conflict takes—religious, linguistic, racial, tribal—does not seem to alter its intensity, duration, or relative intractability. Their emphasis in on the ascriptive and cultural core of the conflict, and they distinguish it primarily from the largely nonascriptive and economic core of class conflict. Ethnic conflict may indeed have an economic basis, but that is not its core feature. Irrespective of internal class differentiation, race, language, sect, or religion tends to define the politics of an ethnic group. Contrariwise, class conflict tends on the whole to be economic, but if the class into which one is born is also the class in which one is trapped until death—and this is true for large numbers of people—then class conflict takes on ascriptive overtones. Following Horowitz, it is now well understood that the latter characteristics apply not to ethnic systems in general but to *ranked* ethnic systems, such as America during the period of slavery, South Africa during apartheid, and India's caste system. Ranked ethnic systems merge ethnicity and class; unranked ethnic systems do not.

The larger meaning, one might add, is also increasingly becoming the standard meaning in the social sciences, even if that is not yet true of politics and activism. I will use the term "ethnic" in this broader sense. In other words, I may distinguish between communal (that is, religious) and linguistic categories, but I will not differentiate between those that are communal and ethnic. Ethnicity is simply the set to which religion, race, language, and sect belong as subsets in this definition.

Does "ethnic conflict," our second term, have a uniquely acceptable meaning? On the whole, the existing literature has failed to distinguish between ethnic *violence* and ethnic *conflict*. Such conflation is unhelpful. In any ethnically plural society that allows free expression of political demands, some ethnic conflict is more or less inevitable, but it may not

widely accepted, is not without problems. If all ascriptive divisions can be the basis of ethnicity, can the landed gentry or women's groups be called ethnic? So long as we equate ascriptive identities with ethnic identities, there is no good answer to such questions.

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necessarily lead to violence.[4] When there are different ethnic groups that are free to organize, there are likely to be conflicts over resources, identity, patronage, and policies.

The real issue is whether ethnic conflict is violent or waged via the polity's institutionalized channels. If ethnic protest takes an institutionalized form—in parliaments, in assemblies, in bureaucratic corridors, and as nonviolent mobilization on the streets—it is conflict but not violence. Such institutionalized conflict must be distinguished from a situation in which protest takes violent forms, rioting breaks out on the streets, and in its most extreme form civil war ensues or pogroms are initiated against some ethnic groups with the complicity of state authorities. Given how different these outcomes are, explanations for institutionalized conflict may not be the same as those for ethnic riots, on the one hand, and for pogroms and civil wars, on the other. Ethnic peace should, for all practical purposes, be conceptualized as an institutionalized channeling and resolution of ethnic demands and conflicts: *as an absence of violence, not as an absence of conflict.* The world would arguably be a happier place if we could eliminate ethnic and national conflicts from our midst, but such a postethnic, postnational era does not seem to be in the offing in the near term. Indeed, many postmodern conflicts, even in richer societies, are taking ethnic forms on grounds of authenticity of living styles and distinctiveness of expression.[5]

Though highly popular and much revived in recent years, the concept of civil society also needs to be subjected to critical scrutiny. According to conventional notions in the social sciences, "civil society" refers to that space which (1) exists between the family, on the one hand, and the state, on the other, (2) makes interconnections between individuals or families possible, and (3) is independent of the state. Many though not all of the existing definitions also suggest two more requirements: that the civic space be organized in associations that attend to the cultural, social, economic, and political needs of the citizens; and that the associations be modern and voluntaristic, not ascriptive. According to the first requirement, trade unions would be part of civil society, but informal neighborhood associations would not.

[4] Indeed, such conflict may be inherent in all pluralistic political systems, authoritarian or democratic. Compared with authoritarian systems, a democratic polity is simply more likely to witness an open expression of such conflicts. Authoritarian polities may lock disaffected ethnic groups into long periods of political silence, giving the appearance of a well-governed society, but a coercive containment of such conflicts also runs the risk of an eventual and accumulated outburst when an authoritarian system begins to liberalize or lose its legitimacy.

[5] Ronald Inglehart, *Modernization and Postmodernization* (Princeton: Princeton University Press, 1997).

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Following the second requirement, philately clubs and parent-teacher associations would be civic, but a black church or an association of Jews active on behalf of Israel would not.

Should we agree with the latter two proposals? Can nonassociational space also be called civic or part of civil society? Must associations, to constitute part of civil society, be of a "modern" kind—voluntaristic and crosscutting, rather than ascriptive and based on ethnic affiliation?

The modernist origins of civil society are originally attributed to Hegel's nineteenth-century theoretical formulations.[6] In recent years, however, it has often been suggested that the revival of a modernist notion of civil society derives from debates in Eastern Europe and the English translation of Habermas's *Structural Transformation of the Public Sphere*.[7] Because the concept of civil society has been so important to the field of political philosophy, it is mostly political philosophers who have explored it in recent times.[8] In comparison, the analytic work on civil society in the more empirical fields of the social sciences has not been as voluminous,[9] though the need for it should be quite clear. Only by systematic empirical investigation of the associational and nonassociational forms of civic life can we determine whether the functions and forms attributed to civil society in the normative literature exist as more than simply theoretical propositions.

As an illustration of the modernist biases of the conventional definitions of civil society, consider the theoretical arguments of Ernest Gellner, whose writings on civil society have been plentiful as well as influential. "Modularity," argues Gellner, "makes civil society," whereas "segmentalism" defines a traditional society.[10] By modularity, he means

[6] For the early history of the idea, see Adam Seligman, *The Idea of Civil Society* (Princeton: Princeton University Press, 1992).

[7] Jurgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into the Category of Bourgeois Society*, trans. Thomas Burger and Frederic Lawrence (Cambridge: MIT Press, 1989). For a debate built around the publication of the English translation, see Craig Calhoun, ed., *Habermas and the Public Sphere* (Cambridge: MIT Press, 1994).

[8] See also Charles Taylor, "Modes of Civil Society," *Public Culture* 4 (Fall 1990); Michael Walzer, "The Idea of Civil Society," *Dissent* 38 (Spring 1991); and Jean Cohen and Andrew Arato, *Civil Society and Political Theory* (Cambridge: MIT Press, 1992).

[9] The debate generated by Putnam's work is finally leading to empirically based scholarship. See, inter alia, Sheri Berman, "Civil Society and the Collapse of the Weimar Republic," *World Politics* 49 (April 1997); the special issue on social capital of *American Behavioral Scientist* 39 (April 1997); and Deepa Narayan and Michael Woolcock, "Social Capital: Implications for Development Theory, Research and Policy," *World Bank Research Observer* 15 (August 2000).

[10] Ernest Gellner, "The Importance of Being Modular," in John Hall, ed., *Civil Society: Theory, History, Comparison* (Cambridge: Blackwell, 1995). This article is a good summary of a large number of Gellner's writings on civil society, written in both the reflective and the activist mode. Many of these writings, including some polemical essays, have been put together in Gellner, *Conditions of Liberty: Civil Society and Its Rivals* (New York: Penguin Press, 1994).

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the ability to transcend traditional or ascriptive occupations and associations. Given a multipurpose, secular, and modern education and given also the objective availability of plentiful as well as changing professional opportunities in posttraditional times, modern man can move from one occupation to another, one place to another, one association to another. In contrast, traditional man's occupation and place were determined by birth. A carpenter in traditional society, whether he liked it or not, would be a carpenter, and all his kinsmen would be carpenters. He would also not generally be involved in associations; and if he were, the association would most likely be an ascriptive guild of carpenters. An agrarian society, argues Gellner, might be able to avoid the tyranny of the state. That is because the power of the state could not reach all segments of a traditional society, given the decentralized nature of production structure, the low level of communication technology, and the relatively self-sufficient character of each segment. But that does not mean that such a society would be "civil," for instead of the "tyranny of state," it would experience the "tyranny of cousins." Civil society, concludes Gellner, is not only modern but also based on strictly voluntary associations between the state and family, not on ethnic or religious considerations.[11]

Such claims can be empirically challenged. First, a remarkably large number of studies show that ethnic and religious associations combine ascription and choice. Not all Christians have to be members of a church in a given town, nor all blacks members of a black church. Moreover, it has also been widely documented that ethnic associations can perform many "modern" functions, such as participating in democratic politics, setting up funds to encourage members of the ethnic group to enter newer professions, and facilitating migration of ethnic kinsmen into modern occupations and modern education.[12]

A similar objection can be raised with respect to the requirement that associations be formal. In much of the developing world, especially in the countryside and small towns, formal associations do not exist. That does not mean, however, that civic interconnections or activities are absent. If what is crucial to the notion of civil society is that families and individuals connect with other families and individuals— beyond

[11] For a similar argument, see Edward Shils, *The Virtue of Civility* (Indianapolis, Ind.: Liberty Fund, 1997).

[12] For pioneering work on the modernist uses of ethnicity, see Lloyd Rudolph and Susanne Rudolph, *The Modernity of Tradition* (Chicago: University of Chicago Press, 1967); and Myron Weiner, *Sons of the Soil* (Princeton: Princeton University Press, 1978).

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their homes—and talk about matters of public relevance without the interference of the state, then it seems far too rigid to insist that this must take place only in "modern" associations. Empirically speaking, whether such engagement takes place in associations or in the traditional sites of social get-togethers depends on the degree of urbanization and economic development, as well as on the nature of the political system. Cities tend to have formal associations; villages make do with informal sites and meetings. Further, political systems may specify which groups may have access to formal civic spaces and establish organizations and which ones may not. Nineteenth-century Europe provided the propertied classes with access to a whole range of political and institutional instruments of interest articulation; trade unions for workers were slower to arrive.

Some of the spirit of these remarks is conveyed in the commentary generated by Habermas's distinction between the "lifeworld"and "system" in *The Structural Transformation of the Public Sphere.* In its original formulation, the distinction indicated a radical rupture between the significance of everyday interaction and that of interaction made possible by institutions and organizations. The latter, according to Habermas, was associated with a modern public sphere. Everyday interaction made life, but organized interaction made history.[13] The new history of popular struggles launched by those not formally admitted to the public sphere in much of nineteenth-century Europe and America—women, peasants, workers, minorities—suggests the limited utility of the original Habermas distinction.[14] Indeed, in his more recent positions, Habermas has all but dropped his earlier, radical distinction.[15] Street-corner activity can now be viewed as a serious civic form if more organized and institutional civic sites are not available—whether generally or to some particular groups.

The point, of course, is not that formal associations do not matter. One of the arguments of this paper is that they do. But at least in the social and cultural settings that are different from those of Europe and North America, if not more generally, the purposes of activity rather

[13] See the brief but thoughtful discussion in Harry Boyte, "The Pragmatic Ends of Popular Politics," in Calhoun (fn. 7).

[14] Starting with E. P. Thompson, *The Making of the English Working Class* (Harmondworth: Penguin Press, 1968), many such historical works by now exist. For a quick review of how they relate to Habermas, see Mary Ryan, "Gender and Public Access: Women's Politics in Nineteenth Century America," and Geoff Elly, "Nations, Publics, and Political Cultures: Placing Habermas in the Nineteenth Century," both in Calhoun (fn. 7).

[15] Jurgen Habermas, "Further Reflections on the Public Sphere," in Calhoun (fn. 7).

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than the forms of organization should be the critical test of civic life. Tradition is not necessarily equal to a tyranny of cousins, and capitalist modernity does not always make civic interaction possible. At best, such dualities are ideal types or based on normatively preferred visions. Empirically speaking, tradition often permits challenging the cousins when existing norms of reciprocity and ethics are violated.[16] Similarly, even capitalist modernity may be highly unsocial and atomizing, if people in America stay home and watch soap operas on TV, instead of joining PTAs and other civic organizations.[17] Both informal group activities and ascriptive associations should be considered part of civil society so long as they connect individuals, build trust, encourage reciprocity, and facilitate the exchange of views on matters of public concern—economic, political, cultural, and social. That they may have very different consequences for conflict or peace is an entirely different matter. The latter is an argument about what type of civil society is better for governance and peace, not whether civil society per se is endowed with benign possibilities.

II. Why Civil Society? A Puzzling Feature of Ethnic Conflict

Civil society is a new variable for the study of ethnic conflict. How it emerged as a causal factor in research on Hindu-Muslim relations, therefore, requires a brief explanation of what my project sets out to do and why.

Sooner or later, scholars of ethnic conflict are struck by a puzzling empirical regularity—that despite ethnic diversity, some places (regions, nations, towns, villages) manage to remain peaceful, whereas others experience enduring patterns of violence. Similarly, some societies with an impressive record of ethnic peace suddenly explode in ways that surprise the observer and very often the scholar as well. Variations across time and space on the whole constitute an unresolved puzzle in the field of ethnicity and nationalism.

How does one account for such variations? The standard research strategy, with some exceptions,[18] has been to seek the commonalities

[16] James Scott, *Moral Economy of the Peasant* (New Haven: Yale University Press, 1978).

[17] For an argument along these lines, see Robert Putnam, "The Strange Disappearance of Civic America," *American Prospect* 8 (Winter 1996); and idem, "Bowling Alone," *Journal of Democracy* 6 (January 1995).

[18] Among the towering exceptions are Horowitz (fn. 3); Weiner (fn. 12); and W. Crawford Young, *The Politics of Cultural Pluralism* (Madison: University of Wisconsin Press, 1976).

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across the many cases of violence. Although this approach will continue to enlighten us, it can give us only the building blocks of a theory, not a full-blown theory of ethnic conflict. The logic underlying this proposition is simple, often misunderstood, and worth restating.[19] Suppose on the basis of commonalities we find that interethnic economic rivalry (a), polarized party politics (b), and segregated neighborhoods (c) explain ethnic violence (X). But can we be sure that our judgments are right? What if (a), (b), and (c) also exist in peaceful cases (Y)? In that case, violence is caused by the intensity of (a), (b), and (c) in X; or there is an underlying factor or contextual element that makes (a), (b), and (c) conflictual in one case but not in the other; or there is yet another factor (d) that differentiates peace from violence. It will, however, be a factor that we did not discover precisely because peaceful cases were not studied with the conflictual ones.

This argument for the necessity of studying variance leads to another important methodological question: at what level must variance itself be studied? Should the unit of analysis be nations, states, regions, towns, or villages? What methodologists call a large-N analysis can help us identify the spatial and temporal trends in violence and allow us to choose the appropriate level for analyzing variance. The project, therefore, considered all reported Hindu-Muslim riots in the country between 1950 and 1995.[20] For purposes of identifying larger trends, two results were crucial.

First, villages constitute a remarkably small portion of communal rioting. Between 1950 and 1995 rural India, where a majority of Indians still live, accounted for a mere 3.6 percent of the deaths in communal violence. Hindu-Muslim violence turns out to be primarily an urban phenomenon. Second, within urban India, too, Hindu-Muslim riots are highly locally concentrated. Eight cities[21] account for a hugely disproportionate share of communal violence in the country: nearly 46 percent of all deaths in Hindu-Muslim violence (Table 1, column 4).

[19] For an elaborate argument for the need for variance in social science research, see Gary King, Robert Keohane, and Sydney Verba, *Designing Social Inquiry* (Princeton: Princeton University Press, 1993). For why discovering commonalities may matter even in a world where variance exists, see Ronald Rogowski, Symposium on *Designing Social Inquiry*, *American Political Science Review* 89 (June 1995).

[20] The data set was put together in collaboration with Steven I. Wilkinson of Duke University.

[21] The cities, as Table 1 (column 4) shows, are Ahmedabad, Bombay, Aligarh, Hyderabad, Meerut, Baroda, Calcutta, and Delhi. The last two are not normally viewed as riot prone. But because they have had so many small riots and had some large ones in the 1950s, they are unable to escape the list of worst cities in a long-run perspective (1950–95). In a 1970–95 time series, however, Calcutta is unlikely to figure and Delhi may also disappear.

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TABLE 1
HINDU-MUSLIM RIOTS IN 28 INDIAN CITIES [a]
(1950–95)

Minimum of 15 Deaths in 3 Riots over 2 Five-Year Periods[b]	*Minimum of 20 Deaths in 4 Riots over 3 Five-Year Periods*[c]	*Minimum of 25 Deaths in 5 Riots over 4 Five-Year Periods*[d]	*Minimum of 50 Deaths in 10 Riots over 5 Five-Year Periods*[e]	*Total Deaths 1950–95*
Bombay	Bombay	Bombay	Bombay	1,137
Ahmadabad	Ahmadabad	Ahmadabad	Ahmadabad	1,119
Hyderabad	Hyderabad	Hyderabad	Hyderabad	312
Meerut	Meerut	Meerut	Meerut	265
Aligarh	Aligarh	Aligarh	Aligarh	160
Jamshedpur	Jamshedpur	Jamshedpur		198
Bhiwandi	Bhiwandi			194
Surat				194
Moradabad	Moradabad			149
Baroda	Baroda	Baroda	Baroda	109
Bhopal	Bhopal	Bhopal		108
Delhi	Delhi	Delhi	Delhi	93
Kanpur	Kanpur	Kanpur		81
Calcutta	Calcutta	Calcutta	Calcutta	63
Jabalpur				59
Bangalore	Bangalore	Bangalore		56
Jalgaon	Jalgaon	Jalgaon		49
Sitamarhi				47
Indore	Indore	Indore		45
Varanasi	Varanasi	Varanasi		42
Allahabad	Allahabad	Allahabad		37
Nagpur	Nagpur	Nagpur		37
Jaipur	Jaipur			32
Aurangabad	Aurangabad	Aurangabad		30
Srinagar	Srinagar	Srinagar		30
Ranchi				29
Malegaon	Malegaon			23
Godhra				18

[a] Total number of deaths from riots for all of India, 1950–95 = 7,173, of which 3.57 percent of deaths took place in rural India.

[b] Total number of deaths from riots in these cities = 4,706. This is approximately 66 percent of deaths from riots throughout India and 69 percent of all deaths in urban riots during these periods.

[c] Total number of deaths from riots in these cities = 4,359. This is about 61 percent of deaths from riots throughout India and 64 percent of all deaths in urban riots during these periods.

[d] Total number of deaths from riots in these cities = 3,887. This is about 54 percent of deaths from riots throughout India and 58 percent of all deaths in urban riots during these periods.

[e] Total number of deaths from riots in these cities = 3,263. This is 45.5 percent of deaths from riots throughout India and 49 percent of all deaths in urban riots during these periods.

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As a group, however, these eight cities represent a mere 18 percent of India's urban population (and about 5 percent of the country's total population, both urban and rural). Put otherwise, 82 percent of the urban population has not been "riot prone."

Given such high local concentrations in urban India, the large-N analysis clearly establishes town/city as the unit of analysis. India's Hindu-Muslim violence is city specific, not state specific, with state (and national) politics providing the context within which the local mechanisms linked with violence are activated. To understand the causes of communal violence, we must investigate these local mechanisms.

Following this reasoning, the project selected six cities—three from the list of eight riot-prone cities and three peaceful ones—and arranged them in three pairs. Thus, each pair had a city where communal violence is endemic and a city where it is rare or entirely absent. To ensure against comparing apples and oranges, roughly similar Hindu-Muslim percentages in the city populations constituted the minimum control in each pair. The first pair—Aligarh and Calicut—was based on population percentages only. The second pair—Hyderabad and Lucknow—added two controls to population percentages, one of previous Muslim rule and a second of reasonable cultural similarities. The third pair—Ahmedabad and Surat—was the most tightly controlled. The first two pairs came from the North and South. The third came from the same state of Gujarat, sharing history, language, and culture but not endemic communal violence. All of these cities, at this time, have a population of above half a million, and the biggest, Hyderabad, is a metropolis of over four million people.

Why was similarity in demographic proportions chosen as the minimum control in each pair? Both in India's popular political discourse and in theories about Muslim political behavior, the size of the community is considered to be highly significant. Many politicians, especially those belonging to the Hindu nationalist Bharatiya Janata Party (BJP), who have often subscribed to the idea of "Muslim disloyalty" to India, have argued that the demographic distribution of Muslims makes them critical to the electoral outcomes. Muslims constitute more than 20 percent of the electorate in 197 out of a total of 545 parliamentary constituencies in India. In a first-past-the-post system, where 30 percent of the vote is often enough to win a seat in multiparty contests, these percentages make the Muslims electorally highly significant.[22] The

[22] Lloyd Rudolph and Susanne Rudolph, *In Pursuit of Lakshmi* (Chicago: University of Chicago Press, 1987), 196.

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higher the numbers of Muslims in a given constituency, argue politicians of the BJP, the greater the inclination of mainstream political parties to pander to their sectional/communal demands and the lower the incentive, therefore, for Muslims to build bridges to Hindus. Thus, according to this argument, appeasement of Muslims, based on their large numbers in a democracy, is the cause of communal conflict and violence in India.[23]

That Muslim demography has political consequences is, however, not an argument confined to the Hindu nationalist BJP. Leading Muslim politicians also make a demographic claim, but with the causation reversed. The higher the numbers of Muslims in a city or town, they argue, the greater the political threat felt by the leaders of the Hindu community, who react with hostility to legitimate Muslim anxieties about politics and identity. An unjustified, even self-serving opposition on the part of Hindu leaders, they argue, is the source of communal hostilities.[24] Both extremes of the political spectrum thus rely heavily on demography for their explanations.

These popular arguments are shared by social scientists as well, although their reasoning is different. It has been argued, for example, that when a city/constituency has a Muslim majority or plurality, Muslims typically prefer Muslims-only confessional parties over centrist intercommunal parties.[25] Muslims support centrist parties when their share of the population/electorate is small in a town/constituency. Smaller numbers make it rational to seek the security of a large and powerful mainstream party.

Can one find cases—cities or constituencies—where similar demographic distributions lead to very different forms of political behavior? Selecting from a larger sample of such cases, the project did precisely that. As described above, it compared three pairs of cities where a rough similarity in demographic proportions coexists with variance in political outcomes—peace or violence.

III. Resolving the Puzzle: The Role of Civil Society

The preexisting local networks of civic engagement between the two communities stand out as the single most important proximate explanation for the difference between peace and violence. Where such net-

[23] L. K. Advani, leader of the BJP, interviewed in *Sunday*, July 22, 1990.

[24] Syed Shahabuddin, a prominent Muslim leader, has often made this argument in lectures, discussions, and political speeches.

[25] Rudolph and Rudolph (fn. 22), 195.

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works of engagement exist, tensions and conflicts are regulated and managed; where they are missing, communal identities lead to endemic and ghastly violence. As already stated, these networks can in turn be broken down into two parts: associational forms of engagement and everyday forms of engagement. Both forms of engagement, if intercommunal, promote peace, but the capacity of the associational forms to withstand national-level "exogenous shocks"—such as India's partition in 1947 or the demolition of the Baburi mosque in December 1992 in the presence of more than three hundred thousand Hindu militants—is substantially higher.

What are the mechanisms that link civic networks and ethnic conflict? And why is associational engagement a sturdier bulwark of peace than everyday engagement?

One can identify two mechanisms that connect civil society and ethnic conflict. First, by promoting communication between members of different religious communities, civic networks often make neighborhood-level peace possible. Routine engagement allows people to come together and form organizations in times of tension. Such organizations, though only temporary, turned out to be highly significant. Called peace committees and consisting of members of both communities, they policed neighborhoods, killed rumors, provided information to the local administration, and facilitated communication between communities in times of tension. Such neighborhood organizations were difficult to form in cities where everyday interaction did not cross religious lines, or where Hindus and Muslims lived in highly segregated neighborhoods. Sustained prior interaction or cordiality facilitated the emergence of appropriate, crisis-managing organizations.

The second mechanism also allows us to sort out why associational forms of engagement are sturdier than everyday forms in dealing with ethnic tensions. If vibrant organizations serving the economic, cultural, and social needs of the two communities exist, the support for communal peace tends not only to be strong but also to be more solidly expressed. Everyday forms of engagement may make associational forms possible, but associations can often serve interests that are not the object of quotidian interactions. Intercommunal business organizations survive because they connect the business interests of many Hindus with those of Muslims, not because of neighborhood warmth between Hindu and Muslim families. Though valuable in itself, the latter does not necessarily constitute the bedrock for strong civic organizations.

That this is so is, at one level, a profound paradox. After all, we know that at the village level in India, face-to-face, everyday engagement is

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the norm, and formal associations are virtually nonexistent.[26] Yet rural India, which was home to about 80 percent of India's population in the early 1950s and still contains two-thirds of the country, has not been the primary site of communal violence. By contrast, even though associational life flourishes in cities, urban India, containing about one-third of India's population today and only 20 percent in the early 1950s, accounts for the overwhelming majority of deaths in communal violence between 1950 and 1995.

Why should this be so? Figure 1 presents a formal resolution of the paradox. It depicts the relationship between size and civic links diagrammatically, holding the level of civic engagement constant. Moving from circle 1 to 4, we can see why associational engagement is necessary in cities if we answer the following question: how many links will have to be made if we wish to connect each individual with every other individual as we move from villages to cities? Let N represent the number of persons in a village or city, and K the number of links that must be made if everybody is to be connected with everyone else.

The four circles in the diagram increase the size of the local setting. In circle 1, our diagrammatic representation for a small village, there are only two individuals (N = 2); to connect them, we need only one link (K = 1). In circle 2 there are three individuals (N = 3); we need at least three links (K = 3) to connect them all. This circle can represent a small town. Circle 3, in which we have four individuals (N = 4), can be called a city. To connect one with all, we need six links (K = 6). In circle 4, our diagrammatic substitute for a metropolis, there are five individuals (N = 5), and at least ten links (K = 10) are needed to connect each of them to everybody else. Thus, *for a given level of civic density (in this case, each person connected to everyone else),* K rises faster than N. This whole relationship can be written as

$$K = N\,(N-1)/2.$$

This formula essentially means that as we move from villages to towns and from towns to cities, we need many more links to connect people than the increase in population. Cities tend naturally to be less interconnected; some degree of anonymity is inevitable.

We can now understand what associations do, when villagelike intimacy is no longer possible. Since each association can represent a lot of people, organizations end up reducing N in cities and making a lower K

[26] M. N. Srinivas, *Remembered Village* (Berkeley: University of California Press, 1979).

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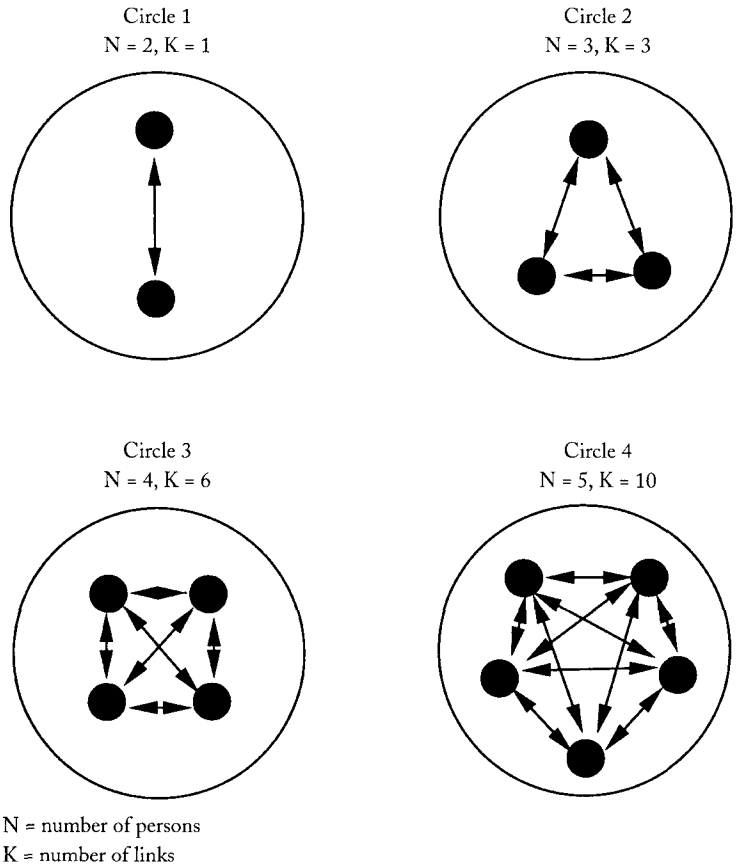

FIGURE 1
EVERYDAY ENGAGEMENT IN VILLAGES AND CITIES

viable. That is why everyday engagement may be effective in villages, with smaller Ns, but not in cities, with higher Ns. Therefore, to maintain the same level of civic engagement in cities as in villages, one needs associations, rather than informal and everyday interaction.

The explanation above is deductive. It explains why everyday engagement has very different meanings in rural and urban settings, but it still does not tell us how exactly associations prevent or mitigate communal conflict when they do. That is an empirical question, to which we now turn.

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Organized civic networks, when intercommunal, not only do a better job of withstanding the exogenous communal shocks—like partitions, civil wars, and desecration of holy places; they also constrain local politicians in their strategic behavior. Politicians who seek to polarize Hindu and Muslims for the sake of electoral advantage can tear at the fabric of everyday engagement through the organized might of criminals and gangs. All violent cities in the project showed evidence of a nexus of politicians and criminals.[27] Organized gangs readily disturbed neighborhood peace, often causing migration from communally heterogeneous to communally homogenous neighborhoods, as people moved away in search of physical safety. Without the involvement of organized gangs, large-scale rioting and tens and hundreds of killings are most unlikely, and without the protection afforded by politicians, such criminals cannot escape the clutches of law. Brass has rightly called this arrangement an institutionalized riot system.[28]

In peaceful cities, however, an institutionalized peace system exists. Countervailing forces are created when organizations such as trade unions, associations of businessmen, traders, teachers, doctors and lawyers, and at least some cadre-based political parties[29] (different from the ones that have an interest in communal polarization) are communally integrated. Organizations that would lose from a communal split fight for their turf, alerting not only their members but also the public at large to the dangers of communal violence. Local administrations are far more effective in such circumstances. Civic organizations, for all practical purposes, become the ears and arms of the administration. A synergy emerges between the local wings of the state and local civic organizations, making it easier to police the emerging situation and preventing it from degenerating into riots and killings. Unlike violent cities, where rumors and skirmishes, often strategically planted and spread, quickly escalate into riots, the relationships of synergy in peaceful cities nip rumors, small clashes, and tensions in the bud. In the end, polarizing politicians either do not succeed or eventually give up trying to provoke and engineer communal violence. Figure 2 represents the argument diagrammatically.

[27] These connections can be proven social scientifically, not legally. The latter requires establishing individual culpability, not obvious links between politicians and gangs as groups.

[28] Paul Brass, *Theft of an Idol* (Princeton: Princeton University Press, 1997).

[29] In a democratic system, political parties would be part of civil society, for not all of them may be linked to the state. In one-party systems, however, parties, even when cadre-based, tend to become appendages of the state, losing their civil society functions. India is a multiparty democracy.

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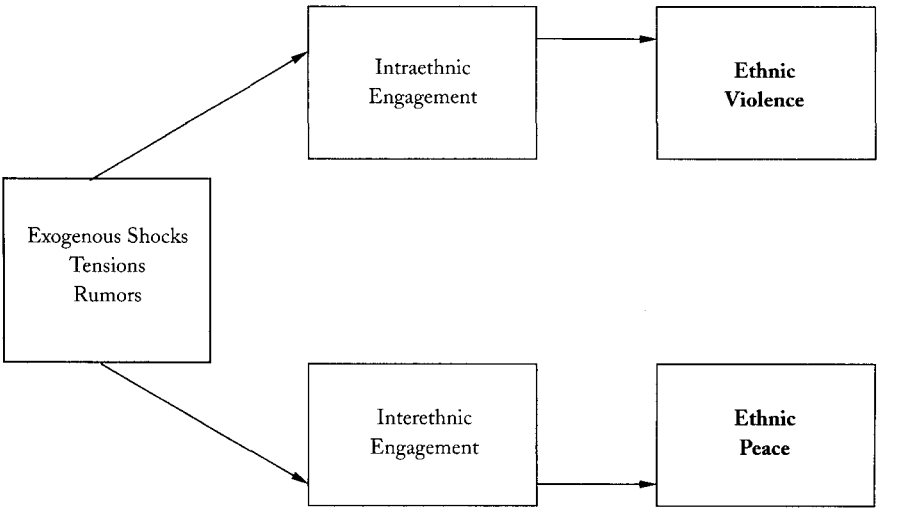

FIGURE 2
CIVIC LIFE AND ETHNIC CONFLICT

This argument, it should be clarified, is probabilistic, not lawlike. It indicates the odds but should not be taken to mean that there can be no exceptions to the generalization. Indeed, pending further empirical investigation, lawlike generalizations about ethnic violence may not be possible at all. Upsetting the probabilities, for example, a state bent on inciting ethnic pogroms and deploying its military may indeed succeed in creating a veritable ethnic hell. My argument, therefore, would be more applicable to *riots* than to *pogroms* or *civil wars*. A theory of civil wars or pogroms would have to be analytically distinguished from one that deals with the more common form of ethnic violence: riots.

Indeed, perhaps the best way to understand the relationship between civic life and political shocks is via an analogy from meteorology. If the civic edifice is interethnic and associational, there is a good chance it can absorb ethnic earthquakes that register quite high on the Richter scale (a partition, a desecration of a holy place); if it is interethnic and quotidian, earthquakes of smaller intensity can bring the edifice down (defeat of an ethnic political party in elections, police brutality in a particular city) ; but if engagement is only intraethnic, not interethnic, small tremors (unconfirmed rumors, victories and defeats in sports) can

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unleash torrents of violence. A multiethnic society with few connections across ethnic boundaries is very vulnerable to ethnic disorders and violence.

IV. Evidence That Civil Society Matters

To establish causality, a modified technique of process tracing was applied to each pair of cities. The technique of process tracing works back from the outcome—peace or violence—step by step, looking to identify what led to what. It can be shown that process tracing, as applied to one case, may not conclusively establish causality.[30] The argument about the desirability of variance, summed up in Section II, is also applicable to why case-based process tracing can give us history but not necessarily causality. Therefore, a modification was applied to the technique. In each pair, we looked for similar stimuli that led to different outcomes in the two cities and then identified the mechanisms by which the same trigger produced divergent outcomes. Civil society emerged as a causal factor from such comparisons. If we had studied only violent cities, where interconnections between Hindus and Muslims were minimal or absent in the first place, we would not have discovered what intercommunal civic links can do. A controlled comparison based on variance can thus turn process tracing into a method for establishing causality.

Similar Provocations, Different Responses

The process outlined above was applied to all three pairs in the project. Civic links between the two communities, combined with the use of such links by local administrations, kept tensions from escalating into riots. To explain how this sequence was established, let me concentrate only on the first pair of cities. Presenting all cities together in a stylized fashion will not give a good sense of the process involved.

The first pair consists of Aligarh and Calicut. The former is a riot-prone city in the North Indian state of Uttar Pradesh (UP), and the latter a peaceful city in the South Indian state of Kerala. Calicut has not had a single riot in this century; Aligarh figures in the list of the eight most riot-prone cities (Table 1, column 4). Both cities are roughly 36–38 percent Muslim, with the remaining population overwhelmingly Hindu.[31]

[30] For a debate on why process tracing will not easily establish causality, see *APSA-CP* (Winter 1997).

[31] Calicut also has a small Christian population.

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Between 1989 and 1992, when the Hindu nationalist agitation to destroy the Baburi mosque in Ayodhya (hereafter referred to as the Ayodhya agitation) led to unprecedented violence in much of India, both cities experienced rumors, tensions, and small clashes. But the final outcomes were very different. In Calicut the local administration was able to maintain law and order. Unfounded rumors circulated in the city that pigs had been thrown into mosques. Similarly, there were rumors that Muslims had attacked the famous Guruvayur temple, a site greatly venerated by Hindus in the state. Such rumors often led to riots in several cities in India and frequently did so in Aligarh. In Calicut the peace committees and the press helped the administration quash the rumors. The storm of the Ayodhya agitation, the biggest since India's partition and one that left hundreds dead in several cities, skirted Calicut and left it unharmed.

By contrast, blinded by a Hindu nationalist fervor during the Ayodhya agitation, the city of Aligarh plunged into horrendous violence. Unlike Calicut's newspapers, which neutralized rumors after investigating them, Aligarh's local newspapers printed inflammatory falsehoods. Two of the largest-circulation Hindi newspapers wrote in lurid detail of Muslim nurses, doctors, and staff of the Aligarh Muslim University (AMU) hospital killing Hindu patients in cold blood.[32] Some Hindus were indeed killed outside the university campus,[33] but nobody was murdered in the AMU hospital.[34] The rumors were believed, however. And gangs of Hindu criminals went on a killing spree. Some of them stopped a train just outside the city, dragged Muslims out, and brutally murdered them. The press underreported their acts of killing. Although these newspapers were later reprimanded for unprofessional behavior by the Press Council, the damage had already been done. Gruesome violence rocked the city for several days, leading to nearly seventy deaths and many more injuries.

As in the past, Aligarh's local mechanisms of peace were remarkably inadequate to the task of dealing with an exogenous shock—in this case, the Ayodhya agitation. The criminals who engaged in killings could not be brought to justice. Not only were they protected by politi-

[32] *Aaj,* December 10, 1990; *Amar Ujala,* December 11, 1990.

[33] "For an Aligarh of Peace," interview with District Magistrate A.K. Mishra, *Frontline,* December 22, 1990, 22–23.

[34] Author interviews with AMU vice-chancellor M. Naseem Farooqui, Delhi, July 15, 1994; several AMU professors, August 1994; and local journalists, August 1994. For a thoughtful review of all such reports appearing in local Hindi newspapers, see Namita Singh, "Sampradayitka ka khabar ban jana nahin, kahbron ka sampradayik ban jaana khatarnak hai," *Vartaman Sahitya,* September 1991.

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cians, but they also had remarkable journalistic connections—Muslim criminals with the Urdu press and Hindu thugs with the Hindi press. Effective peace committees could not be formed at the city level in Aligarh, for it was difficult even to get the Hindu nationalists and Muslim politicians together. Rumors were often started and then exploited by political organizations. Instead of investigating rumors, the press simply printed them with abandon.

Contrast the situation with Calicut. Two points were common to all accounts given by administrators of Calicut between 1989 and 1992 (as well as those posted there since the mid-1980s) about how the peace was kept. First, politicians of all parties helped establish peace in the city, instead of polarizing communities, as in Aligarh. Second, city-level peace committees were critical to management of tensions.[35] They provided information to the administration, became a forum at which all were welcome to speak out and express their anger, gave a sense of participation to local actors, and provided links all the way down to the neighborhood level, where, in addition, citizens formed smaller peace committees.

By contrast, those peace committees that do emerge from below in Aligarh have often tended to be intrareligious, not interreligious. They are organized at the neighborhood level to protect coreligionists from a possible attack by other communities and do not facilitate communication with those other communities. Rather, they simply increase the perception of risk and harden the attitudes of those who participate in them. The members of these committees take turns policing their community. The process forms a very different kind of consciousness from what there would be if the committees were interreligious, since by definition intrareligious committees are based not on interreligious trust but rather on a lack of such trust. Moving within one's own community, hearing rumors that no one can verify or disprove, staying up in the middle of the night for weeks together, collecting firearms and other small weapons to ensure that retaliation is swift in the event of attack—these activities of intrareligious committees fuel and reflect a communal consciousness, not a consciousness that builds bridges.

[35] Author interviews in Trivandrum with Amitabh Kant, district collector, Calicut, 1991–94, July 20, 1995; Shankar Reddy, police commissioner, Calicut, 1991–94, July 22, 1995; Siby Matthews, police commissioner, Calicut, 1988–91, July 21, 1995; K. Jayakumar, collector, Calicut, July 21, 1995; Rajeevan, police commissioner, Calicut, 1986–88, July 21, 1995. Politicians of the Muslim League and BJP confirmed their participation in peace committees. The political leaders interviewed were Dr. Muneer, Muslim League member of Legislative Assembly since 1991, July 23, 1995; K. Sreedharan Pillai, president BJP, Calicut district BJP committee, Calicut, July 25, 1995.

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The Variety of Civic Networks

Why did the two cities respond so differently? Why did politicians of all kinds cooperate in Calicut but not in Aligarh? Most of all, why did even those politicians of Calicut who stood to benefit from Hindu-Muslim polarization, like the Hindu nationalists of the BJP, avoid working to inflame communal passions and instead cooperate in peacemaking efforts? The BJP leader of Calicut admits that Hindu-Muslim polarization would be in his party's political interest because it would lead larger numbers of Hindus to vote for the BJP instead of noncommunal parties, as most do currently. But he is also convinced that it would not be wise for his party to systematically initiate the polarizing process, because it might then be blamed for undermining the local peace. If, however, the radical Islamic groups were to launch a violent campaign, it would doubtless benefit the party and the BJP would be happy to respond in kind.[36]

To understand why the BJP is unwilling to engage in polarizing activities in Calicut, one needs to survey the texture of civic life there. Hindu-Muslim civic integration runs so deep in Calicut (and, many would argue, in the state as a whole) that polarization is a highly risky strategy. If a party can be clearly linked to activities destroying the decades-long Hindu-Muslim peace, there is a good chance it will be punished by the electorate. The reverse is true in Aligarh, where the utter weakness of crosscutting links opens up space for communal politicians to play havoc.

Consider first the quotidian forms of citizen engagement in the two cities. According to survey results, nearly 83 percent of Hindus and Muslims in Calicut often eat together in social settings; only 54 per cent in Aligarh do.[37] About 90 percent of Hindu and Muslim families in Calicut report that their children play together; in Aligarh a mere 42 percent report that to be the case. Close to 84 percent of Hindu and Muslims in the Calicut survey visit each other regularly; in Aligarh only 60 percent do, and not often at that. The Hindus and Muslims of Calicut simply socialize more often and enjoy it much of the time, whereas Hindu-Muslim interactions in Aligarh are comparatively thin. Aligarh's statistics on all of these interactions would be much lower if we had concentrated only on the violent neighborhoods. We see from the few peaceful but integrated neighborhoods that poli-

[36] Author interview, Sreedharan Pillai, president, BJP district committee, Calicut, July 25, 1995.

[37] Unless otherwise reported, the statistics here and below are from the survey conducted in Calicut and Aligarh. For the methodology, see the appendix.

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tics has not destroyed civic interaction in all parts of the town, as some of the neighborhoods have managed to keep their distance from the hegemonic political trends elsewhere in the town. It should be noted, however, that an overwhelming proportion of respondents over the age of sixty reported that their neighborhoods in Aligarh had been much more integrated in the 1930s and 1940s.[38] But in the 1930s, as politicians started using thugs to spread violence, migration began to communally homogenous localities. Neighborhood-level intimacy was simply unable to withstand the depredations of the emerging politician-criminal nexus.

What about the associational forms of engagement? Much like Tocqueville's America, Calicut is a place of "joiners." Associations of all kinds—business, labor, professional, social, theater, film, sports, art, reading—abound. From the ubiquitous traders associations, to the Lions and Rotary Clubs found in almost all towns in India, to the otherwise rare reading clubs, the head-loaders (porters) association, the rickshaw-pullers association, and even something like an art-lovers association—citizens of Calicut excel in joining clubs and associations. Religiously based organizations also exist, as they do in Aligarh; what is distinctive is the extent of interreligious interaction in nondenominational organizations.[39]

Consider the economic life of Calicut, which is based primarily on merchandise trade. The city, with a population of about seven hundred thousand in 1995, was dominated by merchants and traders.[40] About

[38] Forty percent of the sample was older than sixty, which allowed us to gather recollections of the 1930s and 1940s.

[39] It may be asked why people in Calicut join interreligious associations in such large numbers. Since violence and peace constitute the explanandum (the dependent variable) in this analysis and civic networks, the explanans (the independent variable), I only ask whether causality is correctly ascribed to civic networks or, alternatively, whether it constitutes a case of endogeneity. The question of why people join interreligious associations in Calicut but not in Aligarh is analytically different. To answer it requires a research design different from the one that investigates why violence or peace obtains in the two places, for the explanandum is violence in one case and associational membership in the other. That said, it is quite plausible to hypothesize that Calicut citizens have greater faith in the "rational-legal" functioning of the state, and therefore, instead of seeking to change the behavior of the state by capturing state power, they are confident they can exercise enough pressure on it through associations. It may also be that Calicut citizens identify less with caste and religion today than do the citizens of Aligarh, though historically there is no doubt that caste played an enormously important role in generating struggles for social justice there. For a recent account of the caste basis of such struggles, see Dileep Menon, *Caste, Community and the Nation: Malabar, 1900–1948* (Cambridge: Cambridge University Press, 1995). Finally, integrated civic networks conceivably achieve much more than prevention of communal riots. They may, for example, be related to the better provision of social services in Calicut (and Kerala), but such outcomes are not the main object of analysis in this paper. Only communal violence is.

[40] Calicut has no industry except tiles. It is small in size, with nine factories and about twenty-five hundred workers in all.

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one hundred thousand people depended partially or wholly on trade, and, although exact numbers are not available, estimates indicate that the city had between ten and twelve thousand traders.[41] It was the rare trader who did not join a trade association. These associations—ranging from organizations of traders who deal in food/grains to those who deal in bullion—were, in turn, members of the Federation of Traders Associations (Vyapari Vyavasayi Ekopana Samithi).

In 1995 as many as eleven out of twenty-six trade associations registered with the federation had Hindu, Muslim, (and Christian) office holders: if the president of the association was from one community, the general secretary was from one of the others.[42] These associations refuse to align with any particular political parties in electoral contests: "We don't want to enter politics because our unity will be broken. We have debates in our association, so conflicts, if any, get resolved." Moreover, the depth of engagement was such that many transactions were concluded without any formal contracts. "Our relationships with Muslim businessmen are entirely based on trust. Payments as large as 10 to 15 lakhs ($30,000–$35,000) are sometimes due. We send bills, but there are no promissory notes valid in the courts of law. Payments come in thirty days. We work through brokers. There is no breach of trust."[43]

Aligarh also has a traders association (Vyapar Mandal). In the late 1980s it had about six thousand members. In the 1970s it had even acquired a fair number of Muslim members, who emerged on the business map after the Gulf migration. The association, however, began to engage in infighting over whether it should support and work for a political party, the argument being that supporting a party favorable to traders would benefit all of them. In the 1980s the association finally split into two bodies: a "secular" organization and a "nonsecular" one, with the nonsecular faction joining the BJP and the Muslims turning to the "secular" faction.[44]

Unlike trade-based Calicut, Aligarh also has a significant industrial sector and is among the largest producers of locks in India. The lock

[41] These numbers and the information below are based on extensive interviews with the president and general secretary of the Kerala Federation of Trade Associations (Kerala Vyapari Vyavasayi Ekopana Samithi hereafter Samithi). The Samithi is a powerful all-state body, based in all towns of Kerala. The Samithi keeps records and statistics and has a professionally run office. It is rare to find a traders association run so professionally in North India.

[42] Data supplied by the Samithi, Calicut branch, July 1995.

[43] Author interview with V. Ramakrishna Erady, wholesale rice dealer, Calicut, July 25, 1995.

[44] Author interview with Mohammed Sufiyan, former president, Vyapar Mandal, Aligarh, August 1995.

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manufacturing is mostly small scale. Moreover, different units specialize in different parts of the manufacturing process. Yet Aligarh has not developed an economic symbiosis between Hindus and Muslims.

It is impossible to estimate the number of people working in Aligarh's lock industry, as no surveys have been conducted.[45] We know from ethnographic work, however, that the workers come from both Muslim and Hindu communities, as do the firm owners. We also know that there is virtually no intercommunal dependence. The informal credit market, normally dominated by Hindu lenders (*mahajan*), was the only Hindu-run economic activity on which some Muslim manufacturers used traditionally to depend. Over the last few decades rotating credit societies have emerged.[46] But these are intra-Muslim societies that build trust within communities, not across them.[47]

If the businessmen are not integrated, what about the workers? Since they numerically constitute a larger proportion of the city than the businessmen, interreligious links formed in trade unions could, in principle, more than make up for an absence of such links among the businessmen. But trade unions hardly exist in Aligarh. Decrepit offices of the local branches of national trade unions, with no staff and little data, greet researchers who study labor activities. By contrast, trade unions thrive in Calicut. The largest unions are linked to two major national trade-union federations: CITU, which is associated with the Communist Party (Marxist), and INTUC, whose political patron is the Congress Party.[48] Both of these unions are intercommunal. Calicut does have a political party of the Muslims, the Muslim League, which regularly wins general elections. It also sponsors a trade union, the STU. The STU, however, is neither as large as the local units of CITU or INTUC nor as vibrant. It is the weakest and smallest of the three. Muslim workers by and large vote in assembly elections for the Muslim League, but they tend typically to join INTUC or CITU for protection of their labor rights. The Marxist and atheistic character of CITU does not stop them from joining CITU's unions, if they think that CITU will do a better job of

[45] It pays to underreport how much labor an industrial unit employs, for under Indian law the small, informal sector does not have to pay pension and other benefits to its workers. Official statistics are thus entirely useless. Foucault's concept of "popular illegality," as one keen observer puts it, has caught the fascination of Aligarh's lock manufacturers. Elizabeth A. Mann, *Boundaries and Identities: Muslims, Work and Status in Aligarh* (Delhi and Newbury Park: Sage Publications, 1992), 83.

[46] Ibid., 101–2.

[47] Ibid., 84–85.

[48] Exact numbers of unionized members and their religious distribution are almost impossible to come by. Estimates based on the interviews are the best one can do. The description below is based on interviews with labor leaders in Calicut, especially a long and detailed interview with M. Sadiri Koya, state secretary, INTUC, August 4, 1993.

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fighting for their rights and wages. In the process, they come in contact with Hindu workers, intercommunal links are formed, and a Hindu-Muslim division of the workforce does not take place.

A most unlikely site for unionization—the "head loaders" or porters—is worth mentioning, for it shows the associational abilities and success of Calicut workers. Distributed over hundreds and thousands of shops and small business units, porters in Indian bazaars are rarely unionized. But they are in Calicut (and in Kerala). In 1995 there were nearly ten thousand head loaders in Calicut—about 60 percent Hindu and 40 percent Muslim. Most were part of INTUC and CITU trade unions. There are head loaders in the bazaar in Aligarh, but there they have no associations.

A final and highly distinctive aspect of associational life in Calicut concerns its social and educational activities. The city has had an array of film clubs, popular theater, and science societies. There is nothing unusual about film clubs—they are popular throughout South India. But societies interested in bringing theater and science to the masses are rather uncommon. Even more uncommon have been reading clubs. The literacy rate in Kerala today is the highest in India. "Reading rooms," a unique Kerala institution, accompanied Kerala's remarkable rise in literacy and formed deep social networks between the 1930s and the 1950s. Young people from most communities would get together several times every week to read newspapers and cultural and political books. The fascinating story of the birth of reading clubs has recently been told by Menon:

> Between 1901 [and] 1931, the rise in the numbers of literate was phenomenal. The growing numbers of schools and the rise in literacy found expressions in the numbers of reading rooms that were established both in the countryside and in the towns. . . . One of the novelties in the organization of reading rooms was the [communitarian] drinking of tea, as one person read the newspapers and the others listened. . . . Tea and coffee lubricated discussions on the veracity of the news and of political questions, and a new culture emerged around the reading rooms. It was premised upon sobriety and knowledge rather than drunken companionship transcending consciousness which characterised the toddy shops. The importance of tea and coffee lay in the fact that they were recently introduced beverages and did not fit into any taboos regarding what could be shared between castes. Tea shops and reading rooms all over Malabar provided [a] common place for people to meet and to drink together regardless of caste [and community]. . . . The reading rooms emerged as central to both formal attempts at organization by the left wing of the Congress as well as local initiatives.[49]

[49] Menon (fn. 39), 145–49.

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The cumulative outcome of the reading-room movement is worth noting. In our Calicut sample, as many as 95 percent of Hindus and Muslims reported reading newspapers—a statistic that is likely to be even higher than in most cities of the richer countries of the world. Calicut today, with a population of over seven hundred thousand, has twenty newspapers and magazines![50] By contrast, while most Hindus in the Aligarh sample read newspapers, less than 30 percent of Muslims did so. Information often travels in the Muslim community by word of mouth. As links with the Hindu community are nonexistent, it takes only a few people to spread nasty rumors and make them stick.

To sum up, the civic lives of the two cities are worlds apart. So many Muslims and Hindus are interlocked in associational and neighborhood relationships in Calicut that peace committees during periods of tension are simply *an extension of the preexisting local networks of engagement*.[51] A considerable reservoir of social trust is formed out of the associational and everyday interactions between Muslims and Hindus. Routine familiarity facilitates communication between the two communities; rumors are squelched through better communication; and all of this helps the local administration keep peace. In Aligarh, however, the average Hindu and Muslim do not meet in those civic settings—economic, social, educational—where mutual trust can be forged. Lacking the support of such networks, even competent police and civil administrators look on helplessly, as riots unfold.

The other pairs in the project experienced similar processes. The different outcomes, however, resided neither in the absence of religious identities nor in the presence of tensions, provocative rumors, and small clashes. Decisive, rather, was the presence of the intercommunal networks of engagement. Intracommunal networks, by contrast, did not contain, or stop, violence.

[50] And the state of Kerala has "a library or a reading room within walking distance of every citizen." K. A. Isaac, "Library Movement and Bibliographic Control in Kerala: An Overview" (Paper presented at the International Congress of Kerala Studies, Trivandrum, India, August 1994).

[51] It may be suggested that this finding is close to being a tautology: a city is not riot prone because it is well integrated. This claim, however, would not be plausible for two reasons. First, a conventional explanation, which has long defined the common sense of the field, suggests that for peace, multiethnic societies require consociational arrangements. Consociationalism is an argument about segregation at the mass level and bargaining at the elite level, not integration at either level. My argument is very different. Second, religious fundamentalists have often fought violently to "purify" their communities of influences from other religions in society. Islamic fundamentalists have often sought to undermine Sufi Islam, which has traditionally combined the practice of Islam with the incorporation of neighboring influences. Communally integrated lives and belief systems have often been seen as a source of tension and conflict rather than peace. For the North American version of the debate, see H. D. Forbes, *Ethnic Conflict* (New Haven: Yale University Press, 1997).

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V. Endogeneity and the Underlying Causation

Before we accept the argument about civic engagement, two more questions must be explored. First, how can one be sure that the causation did not flow in the other direction? Did communal violence destroy the Hindu-Muslim civic networks in riot-prone towns, or did the presence of such networks prevent violence from occurring? Might we not have a case of endogeneity here? Second, process tracing can at best establish short-run causality. Is the underlying causation different from proximate causation? Are there historical forces that explain the vitality or absence of civic networks? What emerges if we turn the independent variable of the short-run analysis—civic networks—into a variable to be explained historically?

The city of Surat, the third historically peaceful city in the project, helps us address the problem of endogeneity and establishes the short-run primacy of civic networks. In Surat (Gujarat) a nasty riot occurred after the destruction of the Ayodhya mosque, the first such riot in nearly seventy years. An overwhelming proportion of violence, however, was confined to the slums; all 192 deaths took place in the shantytowns. The old city, by contrast, witnessed some arson and looting but no deaths. Subjected to the same stimuli, the preexisting social networks accounted for the variance within the city.

Surat has experienced an industrial boom in the last twenty years, becoming the small-industry capital of India. Among cities of more than a million people, Surat has registered one of the highest population growth rates since 1980. Migrants from within and from outside the state have poured into the city and settled in the shantytowns. Working in small industrial units and unprotected by the labor laws of the Factory Act, most of these migrants work exceptionally long hours, returning to the slums and shantytowns only to sleep and eat. There are few institutionalized settings for building civic ties.

When the mosque came down in Ayodhya in December 1992, the slums were the site of awful brutality and violence. In the old city, however, peace committees were quickly formed. The business associations of Surat, whose members live primarily in the old city, are especially integrated. These Hindus and Muslims, who had lived side by side for years and had participated in the old city's business and social life, were able to come together to lower tensions. They set up neighborhood watch committees and deployed their own resources and organizations in checking rumors and communicating with the administration. As a result, the local administration was more effective in the old city than in

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the industrial shantytowns, where civic networks were entirely missing and criminals were free to commit acts of savagery and violence.

What about the long-run causation? Have the Hindu-Muslim civic networks always been robust in peaceful towns, directing their Hindu-Muslim politics and making it possible for them to withstand exogenous shocks? Historical research conducted in the cities demonstrates that civic networks—quotidian and associational—determined the outcome in the *short to medium* run, but in the *long* run intercommunal networks were politically constructed. The 1920s were a transformative moment in the nation's politics because it was then that mass politics emerged in India under the leadership of Mahatma Gandhi. Politics before Gandhi had been highly elitist, with the Congress Party a lawyers' club that made its constitutional arguments for more rights with the British in the Queen's English.

Gandhi seized control of the movement in 1920 and quietly revolutionized it by arguing that the British were unlikely to give independence to India until the Indian masses were involved in the national movement. Gandhi talked of two intertwined battles of independence (*swaraj*), one against an external adversary, the colonial power, and another against an internal enemy, India's social evils. He was interested not only in political independence from the British but also in the social transformation of India, arguing that the former could not be meaningful without the latter. He first concentrated on three social objectives: Hindu-Muslim unity, abolition of untouchability, *swadeshi* (buy Indian, wear Indian, think Indian). To these were later added other projects of social transformation: women's welfare, tribal welfare, labor welfare, prohibition, and so on. In the process millions of his followers created a large number of organizations between the 1920s and the 1940s. Before Gandhi the civic structure of India had been quotidian. After the Gandhian moment in the national movement it became associational.

The biggest organization, of course, was the Congress Party, which led the movement politically and developed cadres all over India during the 1920s.[52] The argument about social reconstruction also created a second set of organizations, the voluntary agencies. The Congress Party was primarily political, and organizations that dealt with education, women's issues, the welfare of the tribals and "untouchables," self-reliance, and the homespun movement were immediately concerned with their social projects.

[52] It should, however, be pointed out that in Calicut and the neighboring areas, it is the left wing of the Congress Party, later splitting from the parent organization and becoming the Communist Party of India (CPI), that engaged in the most systematic association building.

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The civic order that emerged was not identical in different places. The movement had greater success in putting together Hindu-Muslim unity in towns where a Hindu-Muslim cleavage had not already emerged in local politics. India's towns had been having elections for local governments since the 1880s. If local politics emphasized some other cleavages—for example, caste cleavage among the Hindus or Shia-Sunni divisions among the Muslims—then the Congress Party and Gandhian social workers found it easier to bring Hindus and Muslims together in the local civic life. If, however, Hindu-Muslim differences were the dominant axis of local politics, the national movement could not build integrated organizations with the same success. Though originally a child of politics, these organizations, once firmly in place, acquired relative autonomy from politics. Depending on how integrated or communal they were, they began to create very different pressures in politics. To sum up, the role of intercommunal civic networks has been crucial for peace at a proximate level. In a historical sense, however, a space for them was created by forms of mass politics that emerged all over India in the 1920s.

For problems of endogeneity, this reasoning suggests a twofold conclusion. If a historical perspective is applied, it turns out that a transformative ideological shift in national politics, seeking to address social evils and to reorient the fight for independence, was the cause of a systematic organizational effort. In the short to medium run, however, the organizational civic order, instituted by the national movement, became a constraint on the behavior of politicians. Given the thrust of the national movement, the civic constraint on politics was especially serious if building or destroying bridges between Hindus and Muslims was the object of politicians' strategies.

VI. Concluding Observations

Are the conclusions of this paper India specific or have they resonance elsewhere? Two sets of concluding observations—one on civil society and one on ethnic conflict—are in order.

Putnam has used the term "social capital" for civic networks.[53] My use of the term "networks of engagement" differs from Putnam's in two ways. First, my focus is on interethnic and intraethnic civic ties,

[53] Robert Putnam, *Making Democracy Work: Civic Traditions in Italy* (Princeton: Princeton University Press, 1993). It should be noted, however, that since writing *Making Democracy Work,* Putnam has introduced the notions of bridging and nonbridging civic networks. Putnam acknowledges the distinction further in *Bowling Alone* (New York: Simon and Schuster, 2000).

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not civic ties per se. Communal and ethnic organizations, focusing on a single religious or ethnic group only, can be shown to generate a great deal of trust among their members. If they are plentiful, such organizations, by Putnam's definition, can endow a place with a high degree of social capital. However, in my materials, these organizations not only are often incapable of preventing Hindu-Muslim riots but are also associated with the escalation of communal violence. What matters for ethnic violence is not whether ethnic life or social capital exists but whether social and civic ties cut *across* ethnic groups. Stated differently, trust based on *interethnic*, not *intraethnic,* networks is critical.

Second, while civic engagement in Putnam's work rightly includes both formal and informal interactions between individuals and families, the difference between the two forms should also be noted. For ethnic peace, everyday engagement between ethnic groups may be better than no interaction at all, but it is also qualitatively different from the more formal, organized engagement. Everyday interethnic engagement may be enough to maintain peace on a small scale (villages or small towns), but it is no substitute for interethnic associations in larger settings (cities and metropolises). Size reduces the efficacy of informal interactions, privileging formal associations.[54]

My findings also have implications for the literature on ethnic conflict. Although disaggregated statistics on local or regional dispersions of ethnic violence have not been systematically collected for many countries, it should first be noted that the data that we do have—for example, for the United States or Northern Ireland[55]—show roughly the same larger pattern that exists in India. On the whole, ethnic violence tends to be highly concentrated locally or regionally, not spread evenly geographically across the length and breadth of the country. A countrywide breakdown of ethnic relations, more characteristic of civil wars, is rare: we tend to form exaggerated impressions of ethnic violence, partly because violence and not the quiet continu-

[54] This reasoning also suggests a third way in which this research differs from Putnam's *Making Democracy Work*. In Putnam's formulation, the existence of social capital differentiates good governance from bad. The relationship between social capital and communal violence, however, yields a different formulation. If my argument is right, civic networks determine the presence or absence of riots, but they are politically constructed in the long run. Putnam's study appears to emphasize the independent role of social capital in both the short run and the long run.

[55] For the U.S., see Stanley Lieberson and Arnold Silverman, "The Precipitants and Underlying Conditions of Race Riots," *American Sociological Review* 30 (December 1965); and for Northern Ireland, see Michael Poole, "Geographical Location of Political Violence in Northern Ireland," in John Darby, Nicholas Dodge, and A. C. Hepburn, eds., *Political Violence: Ireland in Comparative Perspective* (Belfast: Appletree Press, 1990).

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ation of routine life is what attracts the attention of media. It is more common to have pockets of violence coexisting with large stretches of peace.

If we systematically investigate the links between civil society and ethnic conflict, there is a good chance we can get a good theory that can explain these local or regional variations. The reason for this intuition is quite simple. Though networks of communities can be built nationally, internationally, and, in this electronic era, also "virtually," the fact remains that most people experience civic or community life locally. Business associations or trade unions may well be confederated across local units and business or labor leaders may also have national arenas of operation, but most of the time most businessmen and workers who are members of such organizations experience associational life locally. The type and depth of these local networks—whether they bring ethnic communities together or pull them apart, whether the interactions between communities are associational or informal—are the variables that have the potential for explaining the observable patterns of ethnic violence and peace.

Though such research has not been done, some potentially powerful indications are available. A few existing studies of post-1969 Catholic-Protestant violence in Northern Ireland have dealt with intranational variance in violence. John Darby, for example, has studied three local communities in Greater Belfast—Kileen/Banduff, the Upper Ashbourne Estates, and Dunville.[56] All three communities have mixed populations, but the first two have seen a lot of violence since the late 1960s, whereas the third has been quiet. Darby found that churches, schools, and political parties were segregated in all three communities, but Dunville had some distinctive features not shared by the other two. In contrast to the segregated voluntary groups in the first two communities, Dunville had mixed rotary and lions clubs, soccer clubs, and bowling clubs, as well as clubs for cricket, athletics, boxing, field hockey, swimming, table tennis, and golf. There was also a vigorous and mixed single parents club. These results are quite consistent with my Indian findings.

Studies of racial violence in the U.S. are also of interest, but in a different and potentially highly challenging way. There is—to the best of my knowledge—no good theory emerging from these studies that can explain city-level variance in racial violence in the 1960s. Why were Newark (New Jersey), Detroit (Michigan), Los Angeles (California),

[56] John Darby, *Intimidation and the Control of Conflict in Northern Ireland* (Dublin: Gill and MacMillan, 1986).

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which together accounted for a very large proportion of all deaths in the 1960s riots, so violent? And why did Southern cities, though politically engaged, not have riots?[57] The studies show that economic inequalities between African Americans and white Americans neither explained the *timing* nor the *location* of riots, but no firm alternative explanations have been provided. Lieberson and Silverman's work comes reasonably close to what I am arguing for India: they emphasize local integration, especially African American participation in the local government structures.[58] But to my knowledge no scholar has investigated whether civic associations—labor unions, churches, PTAs, and so on—were on the whole racially better integrated in the peaceful cities.[59]

If they were not—and here lies the innovative potential of American race relations in a comparative sense—we might need an initial distinction in our theory between (1) multiethnic societies that have a history of segregated civic sites (unions, churches, schools, business associations, and so on)—for example, the United States and South Africa—and (2) multiethnic societies where ethnic groups have led an intermixed civic life—for instance, India and Sri Lanka. Interracial or intercommunal civic engagement may be a key vehicle of peace in the latter, but, given the relative absence of common black-white civic sites in countries like the United States, there may not have been any space historically for interracial associational engagement, leading to puzzles about the precise nature of mechanisms that led to peace in a different historical and social setting.

If we think about the above distinction further, it may actually be more accurate to say that *groups,* not *societies* as a whole, have a history of segregation. In India, where political parties, unions, business associations, film clubs, and voluntary agencies are by and large ethnically quite mixed, segregation has marked relations between the Scheduled Castes, who were "untouchable" for centuries, and the "upper castes." Historically, there have been no civic or associational sites where the upper castes and the former untouchables could come together. Similarly, Protestants, Catholics, and Jews could eventually find common civic sites in the U.S., but blacks and whites on the whole could not.[60]

[57] Donald Horowitz, "Racial Violence in the United States," in Nathan Glazer and Ken Young, eds., *Ethnic Pluralism and Public Policy* (Lexington, Mass.: Lexington Books, 1983).

[58] Lieberson and Silverman (fn. 55).

[59] The Kerner Commission Report had an excellent chance to give us an explanation. It missed the chance because it studied the riot-afflicted cities only, not the peaceful ones.

[60] Nathan Glazer, *We Are All Multiculturalists Now* (Cambridge: Harvard University Press, 1996).

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"Self-policing," a mechanism of peace proposed recently by Fearon and Laitin, may well be relevant to such segregated settings.[61] In the terminology developed in this article, it means intraethnic, or intracommunal, policing. If exercised by elders, by an ethnic association, or by civic organizations such as black churches, intraethnic policing may lead to the same result as interethnic engagement does in India. Cross-country research must take such alternative possibilities seriously. Much remains to be learned.

Appendix: Research Materials

The National Level

The large-N analysis of Hindu-Muslim riots is primarily based on a reading of the daily *Times of India,* covering a span of forty-six years (1950–95). In case of doubts, reports appearing in other journals were checked, but the *Times of India* was chosen as the primary source because it is the only newspaper that (1) covers the entire period (1950–95); (2) had a truly national coverage of Hindu-Muslim violence; and (3) had, unlike some other newspapers, often refused to run the potentially most inflammatory stories in this period about communal violence without double-checking them. The *Times of India* did have some problems of bias, but these problems were resolvable.

Moreover, the newspaper was read interpretively, not literally. Newspaper reports sometimes do not carefully distinguish between *intra*religious violence, on the one hand, and *inter*religious violence, on the other. At other times communal riots are simply presented as a clash between two communities. And the term "communal," even if applied correctly, can represent Christian-Hindu clashes (as in the Northeast), or Christian-Muslim violence (as in Kerala), or Hindu-Sikh clashes (as in Punjab). An interpretive reading of the reports was thus necessary, based on a detailed understanding of the variety of religious groups, festivals, and contentious issues found in different parts of India. Unless the labeling of the riot in the newspaper was supported by the description of the symbols and issues involved, to which an interpretive reading was applied, a communal riot was not coded as a Hindu-Muslim riot. This data base was put together in collaboration with Steven I. Wilkinson of Duke University.

[61] James Fearon and David Laitin, "Explaining Interethnic Cooperation," *American Political Science Review* 90 (December 1996).

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The City Level

Apart from documentary and archival research for the cities, interviews were conducted at two levels—elite and cross-sectional. I conducted 20–25 interviews at the *elite* (political, bureaucratic, religious, educational) level in each city. To survey the *cross-section* in a methodologically defensible way, a stratified sample of 100–140 households was also drawn for each city. To reach the poor, literacy was used as a principle basis for stratification. Illiteracy is a good proxy for poverty, deprivation, and "subalternity" in India. Five or six neighborhoods were then selected in each city—two Hindu dominated (one violence prone, the other peaceful), two Muslim dominated (one violence prone and a second peaceful), and finally, one or two "mixed" neighborhoods. (In peaceful cities neighborhoods where tensions recently surfaced replaced the violence-prone category.) Respondents were selected on the basis of literacy. If 50 percent of Muslims and 30 percent of Hindus in the neighborhood were illiterate, the neighborhood sample of twenty interviewees (ten Hindu, ten Muslim) included five illiterate Muslims and three illiterate Hindus. This procedure was repeated in all neighborhoods.

A team of two research assistants—one Hindu, one Muslim—was trained in each city, yielding a research team of twelve in six cities. To ensure candor, Muslim respondents were interviewed by Muslim research assistants, and Hindu respondents by Hindus. We thus got about 700 cross-section interviews in six cities and nearly 125 interviews with elites.

The survey was used for two different purposes. The first was to study Hindu and Muslim attitudes toward politics, administration, police, religion, and history and in particular to identify the everyday forms of engagement between the two communities in neighborhoods.

The second purpose was to respond to some standard criticisms of social science research on ethnic conflicts. Unlike works on the functioning of legislatures, executives, and bureaucracies, which typically deal with institutionalized forms of elite politics, research on communalism, ethnicity, and nationalism tends to be part of *mass politics* and runs up against a by now popular criticism, made especially by postmodernist critics. The complaint is that even while talking about the masses, our sources on communalism and nationalism end up being highly elitist, or "official." We consult government reports. We conduct interviews with a select group of political leaders, educational and religious elites, bureaucrats, and police officers. And we read newspapers,

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which at least in poor countries, do not necessarily represent the opinions of the poor masses. In particular, the use of "official records" on communal violence has been vehemently criticized. It is argued that official records are unreliable, especially when the state, both colonial and postcolonial, may itself be involved, at least partially, as an instigator of communal divisions and/or violence.

To deal with these objections and to collect "unofficial transcripts," I turned my survey, first of all, into a way of collecting brief oral histories on specified questions. This was an unconventional use of survey methods because those who sample rarely collect oral histories and those who collect oral histories rarely sample their respondents. Forty percent of the sample (280 respondents out of 700 separate households in six cities) was sixty plus in age: the aim was to retrieve *local memories* of Hindu-Muslim realtions in the 1930s and 1940s. Accounts of Hindu-Muslim relations in the 1930s and 1940s are plentiful for the national or provincial level but not for the town level. Since the city was the unit of analysis in the project, local materials for the 1930s and 1940s had to be created—in part, orally.

Moreover, by using literacy as a stratification principle, I also used the survey to collect the so-called "subaltern narratives." Illiteracy, as already argued, is a good proxy for subalternity in India: those who are illiterate also tend to be very poor. And since such a large part of India is illiterate, a sample stratified according to literacy allowed me access to a large number of illiterate people, especially in the Muslim community, who rarely get interviewed by the newspapers or researchers in a systematic way. To put it differently, through a sampling technique, I sought to "hear the voices of the subaltern." The subaltern voices are typically heard by those who focus on one town or one village. If one wants to reach the subaltern in a *multitown* project, stratified sampling—sampling roughly the same proportion of the subaltern as in the population—was by far the most methodologically defensible way of being representative. To make subaltern voices as authentic as possible, considerable prior rapport was struck to create a nonthreatening situation for the interviewees.

The survey data have been converted into statistics only where such conversion is more meaningful: for example, in assessing the degree and nature of everyday engagement between communities or attitudes toward history, personal laws, and administration. Wherever textual summaries were more useful, statistics have not been used.

To sum up, the following kinds of research materials were used: (1) archival research for historical periods on which historians have not yet

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written and oral records cannot be created; (2) documentary research for contemporary issues; (3) purposive and focused interviews with the elite in all six cities; (4) stratified survey research for the cross section, including the illiterate poor; and (5) a reading of each day's *Times of India* between 1950 and 1995 to figure out the long-run and large-N distribution of communal violence over forty-six years.

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GREEN BY CHOICE?
Cross-National Variations in Firms' Responses to EMS-Based Environmental Regimes

By KELLY KOLLMAN and ASEEM PRAKASH*

INTRODUCTION

THIS paper seeks to explain cross-national variations in patterns of firm-level adoption of two supranational environmental management system (EMS) standards: the European Union's Eco-Management and Audit Scheme (EMAS) and the International Standards Organization's ISO 14001. EMS standards encourage firms to voluntarily adopt policies that go beyond the requirements of extant law and promote continuous improvement in firms' environmental performance. It is doubtful that political scientists twenty years ago would have paid much attention to the advent of such voluntary schemes, and they almost certainly would not have been interested in examining firms' responses to them. Yet today EMS standards can be seen as a part of broader trends that are fundamentally changing the way business and certain policy areas are regulated. Perhaps the two most prominent characteristics of this new form of governance are the increase in the amount of regulation being formulated within supranational forums (usually in the form of issue-specific regimes) and the greater reliance on private actors for implementing these supranational standards. While there has been a great deal of research on the formation and structure of supranational regulatory regimes, the implementation of these regimes by national governments and their effects on private ac-

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tors remain underresearched.[1] This article addresses these gaps by examining firms' responses to EMAS and ISO 14001 in the United States, the United Kingdom, and Germany and then offering an institutional explanation for why this response has varied so widely. It concludes that the characteristics of both domestic (business-government relations) and supranational institutions (the nature of the policy regime) need to be taken into account to fully explain the cross-national variations in firm-level responses.

EMS regimes represent what several scholars of international relations see as a new form of governance in which actual governments play a more limited role in the establishment, monitoring, and enforcement of regulatory regimes.[2] By transferring policy-making to supranational (regional or international) bodies, individual states in effect forfeit a certain amount of sovereignty to these institutions. While these policies are often enshrined in international law, no overarching governance structure (the EU being a partial exception) is responsible for the coordination, implementation, or adjudication of these agreements in various national settings. Thus, the implementation of international agreements becomes a more fluid and variable process than the implementation of domestic law, and it often incorporates a wider array of actors. The increase in the number of supranational environmental regimes in particular has led to an extremely fragmented and decentralized form of governance, with the result that states have had to adjust their national regulatory styles.[3] Additionally, and less recognized in the literature, many of these regimes are transnational in nature and include nongovernmental actors in their negotiations and compliance structures.[4] As a result, the unquestionable dominance of national governments over environmental policy-making seems to be eroding.

It is difficult to separate these developments in environmental governance from the advent of globalization, both economic and norm ori-

[1] For recent contributions to the private regimes literature, see A. Claire Cutler, Virginia Haufler, and Tony Porter, eds., *Private Authority and International Affairs* (Albany, N.Y.: SUNY Press, 1999); John Braithwaite and Peter Drahos, *Global Business Regulation* (Cambridge: Cambridge University Press, 2000). For a review of the beyond-compliance literature, see Aseem Prakash, "Why Do Firms Adopt Beyond-Compliance Environmental Policies?" *Business Strategy and the Environment* (forthcoming); and idem, *Greening the Firm: The Politics of Corporate Environmentalism* (Cambridge: Cambridge University Press, 2000).

[2] James N. Rosenau and Ernst-Otto Czempiel, eds., *Governance without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1992); Aseem Prakash and J. Hart, eds., *Globalization and Governance* (London: Routledge, 1999); Oran R. Young, *Governance in World Affairs* (Ithaca, N.Y.: Cornell University Press, 1999).

[3] Peter M. Haas, "Social Constructivism and the Evolution of Multilateral Environmental Governance," in Prakash and Hart (fn. 2); Young (fn. 2).

[4] Margaret E. Keck and Kathryn Sikkink, *Activists beyond Borders: Advocacy Networks in International Politics* (Ithaca, N.Y.: Cornell University Press, 1998).

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ented.[5] Increased liberalization of trade and investment has created a need for supranationally harmonized regulation, as multinational enterprises (MNEs) usually prefer to deal with one supranational standard rather than a myriad of often conflicting national regulations. Additionally, the rise of transnational consumer and environmental movements has significantly affected the sociopolitical environments in which these firms operate. Widespread consumer protests against such powerful MNEs as Union Carbide after the Bhopal disaster and Exxon after the Exxon Valdez oil spill have taught these firms that environmental and social issues can no longer be ignored. Because the governmental institutions necessary to create supranational environmental standards are either too weak to be effective or simply nonexistent,[6] MNEs—and to a lesser extent NGOs—have been able to step into this void and become intimately involved in the formation of regulatory environmental regimes.

Research aimed at understanding the implications of these far-reaching changes has been hindered to a certain extent by the artificial boundary in political science between the study of domestic and international politics. Thus, while the regime theory[7] and globalization literatures[8] have done an admirable job of describing the circumstances under which global regimes arise and the various forms that they take, much less work has been devoted to tracing the effects that these regimes have on domestic governments and actors.[9] Given the fact that almost all environmental regimes are implemented by these domestic actors, the ultimate effects of these new forms of governance can be ascertained only through such implementation studies. As Oran Young recently noted, regime "effectiveness will often be a function of the compatibility between top-down approaches reflected in the content of supranational regimes and bottom-up approaches implicit in local or

[5] For an explanation of the difference between these two globabalizations, see Richard Falk, *Predatory Globalization: A Critique* (Oxford: Blackwell, 2000).

[6] Gilpin has recently argued that global governance mechanisms will have to be strengthened if they are to keep pace with economic globalization. See Robert Gilpin, *The Challenge of Global Capitalism: The World Economy in the Twenty-first Century* (Princeton: Princeton University Press, 2000).

[7] Stephen Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983); Volker Rittberger, ed., *Regime Theory and International Relations* (Oxford: Clarendon Press, 1993); Oran R. Young, *International Governance: Protecting the Environment in a Stateless Society* (Ithaca, N.Y.: Cornell University Press, 1994).

[8] Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism* (Ithaca, N.Y.: Cornell University Press, 1996); James N. Rosenau, *Along the Domestic-Foreign Frontier* (Cambridge: Cambridge University Press, 1997); Aseem Prakash and Jeffrey A. Hart, eds., *Coping with Globalization* (London: Routledge, 2000).

[9] Exceptions include David Victor, Kal Raustiala, and Eugene Skolnikoff, eds., *The Implementation and Effectiveness of International Environmental Commitments: Theory and Practice* (Cambridge: MIT Press, 1998); Braithwaite and Drahos (fn. 1).

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regional arrangements."[10] While game-theoretic approaches such as the two-level game and the nested game[11] have been developed to address this problem, very little empirical work, especially in the environmental field, has explored the interactions of supranational regimes and domestic institutional structures.

Our case study examines the crucial regime implementation question by seeking to explain the varying responses of firms to the introduction of supranational EMS standards in the U.K., the U.S., and Germany. In this context, this article pays special attention to the influence of what we refer to as domestic adversarial economies. Given the increased involvement of private actors in the implementation of both domestic and supranational regulation, we believe, further, that our findings also have broader implications for the future of environmental governance. Thus, the nature of business-government relations will be an important factor—albeit not the only one—in determining how compatible supranational regimes are with domestic structures. Despite the growing importance of industry-government relations, students of public policy have been slow to add it to their research agendas.[12] While political scientists did spend a great deal of time investigating the policy effects of corporatist structures and consensus-seeking norms in the 1980s,[13] relatively little effort has been made to update these theories in the late 1990s. In fact, we find theories that were largely developed to explain economic policy do not always hold for environmental policy. Thus, we draw heavily on the two authors who have done the most to advance our understanding of government-industry relations in the en-

[10] Young (fn. 2), 15.

[11] Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (Summer 1988); George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990); Peter B. Evans, Harold K. Jacobson, and Robert D. Putnam, eds., *Double-Edged Diplomacy* (Berkeley: University of California Press, 1994).

[12] Although political scientists have extensively studied the influence of business over government and policy outcomes, far less research has addressed the effects of government-industry relations on policy implementation. For an overview of this largely underdeveloped literature, see Stephen Wilks and Maurice Wright, eds., *Comparative Government-Industry Relations: Western Europe, the United States, Japan* (Oxford: Clarendon Press, 1987); David Vogel, *Kindred Strangers* (Princeton: Princeton University Press, 1995); Robert Kagan and Lee Axelrad, "Adversarial Legalism: An International Perspective," in Pietro S. Nivola, ed., *Comparative Disadvantages? Domestic Social Regulations and the Global Economy* (Washington, D.C.: Brookings Institution Press, 1997); Robert Kagan, "Regulatory Enforcement," in David H. Rosenbloom and Richard D. Schwartrz, eds., *Handbook of Regulation and Administrative Law* (New York: Marcel Dekker, 1994); Robert Kagan, "Adversarial Legalism and American Government," *Journal of Policy Analysis and Management* 10, no. 3 (1991).

[13] Gerhard Lehmbruch and Philippe C. Schmitter, eds., *Patterns of Corporatist Policy-Making* (Beverly Hills, Calif.: Sage Publications, 1982); Peter J. Katzenstein, *Policy and Politics in West Germany: The Growth of a Semi-Sovereign State* (Philadelphia: Temple University Press, 1987); idem, *Industry and Politics in West Germany* (Ithaca, N.Y.: Cornell University Press, 1989).

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vironmental field, namely, David Vogel and Robert Kagan.[14] We conclude that while their insights are key to understanding the American context, the concept of an adversarial economy needs to be expanded if it is to be useful for understanding policy implementation in other systems. We offer a framework for doing so in the conclusion.

EMS standards have been chosen for this case study precisely because their supranational and "beyond compliance" nature are representative of what is often purported to be the future of environmental governance. Using broadly similar structures, both EMAS and ISO 14001 encourage firms to voluntarily adopt policies dedicated to continual improvement in environmental performance beyond what is required by law. Participating firms/sites establish management systems designed to evaluate their environmental impacts, set goals for future improvements, and carry out regular audits of the firm's/site's environmental protection measures. To ensure that each company's management system conforms to a certain standard, they are subject to an external certification procedure that is carried out by an independent, accredited verifier. Once the external certification has been successfully completed, firms receive a participation logo that can be used for advertising purposes.

As stated above, the article focuses on firm-level participation (the dependent variable) in EMSs and the institutional factors that have led to it (the independent variable). In fact, adoption patterns in these three countries vary significantly, suggesting that institutional contexts, both domestic and supranational, greatly influence firms' responses. Thus, "convergence" in firms' practices is not occurring as fast as some globalization scholars have predicted.[15]

[14] David Vogel, *National Styles of Regulation: Environmental Policy in Great Britain and the United States* (Ithaca, N.Y.: Cornell University Press, 1986); Kagan (fn. 12, 1991).

There is an extensive literature examining the nature and impact of adversarial relationships in other issue-areas: on labor unionization, see Robert J. Flanagan, *Labor Relations and the Litigation Explosion* (Washington, D.C.: Brookings Institution Press, 1987); on mine safety, see John Braithwaite, *To Punish or to Persuade: Enforcement of Coal Mine Safety* (Albany, N.Y.: SUNY Press, 1985); on corporate governance, see Jonathan P. Charkham, *Keeping Good Company: A Study of Corporate Governance in Five Countries* (Oxford: Clarendon Press, 1994); and on pharmaceuticals, see H. Teff, "Drug Approval in England and the United Sates," *American Journal of Comparative Law* 33 (Fall 1985).

[15] Bennett points out that convergence can occur at various levels: setting objectives, establishing systems, adopting technologies, and achieving outcomes. See Colin J. Bennett, "Review Article: What Is Policy Convergence and What Causes It?" *British Journal of Political Science* 21 (April 1991). EMS-based policies focus on convergence of management systems based on the assumption that if such systems are in place, firms will adopt technologies most suitable to them and improve their environmental performance over time.

For a critical examination of the convergence debate, see Berger and Dore (fn. 8); Robert Boyer and Daniel Drache, eds., *State against Markets* (London: Routledge, 1996); Louis W. Pauly and Simon Reich, "National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization," *International Organization* 51, no. 1 (1997); Aseem Prakash and Jeffrey A. Hart, eds., *Responding to Globalization* (London: Routledge, 2000).

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The variation in firms' responses is surprising because most businesses have welcomed the advent of voluntary beyond-compliance policies. More traditional command-and-control policies, which make up the core of most countries' environmental regulation, seek to bring about environmental improvements by setting strict emission limits as well as prescribing industrial technologies and processes needed to meet these limits. These policies are typically applied uniformly across industry regardless of local economic or ecological conditions, and they impose stiff penalties on violators. Not surprisingly, most businesses oppose such regulations. Business managers are, in general, more open to the use of market instruments such as eco-taxes and tradable permits that set substantive goals but do not specify specific technologies for meeting these goals. Problems beset market-based instruments as well, however. First, not every jurisdiction has the institutional capacity to design, monitor, and enforce such policies. Second, market-based instruments still do not sufficiently empower firms to design and implement their own environmental programs.

Taking their cue from the widely touted "sustainable development" ideology,[16] as well as from the "reinventing government"[17] movement, many groups have proposed voluntary EMS-based policies in the hope that over the long run these policies will replace command-and-control regulations. For these very reasons, however, most environmental groups view EMS-based regulations with a fair amount of skepticism. Regulators thus often find themselves caught between the proverbial rock and a hard place on this issue. It is therefore critical to investigate the levels and causes of acceptability of beyond-compliance policy instruments across and within countries, as they are often characterized as the blueprints for future regulations.

As of April 2000, 2,331 German sites were EMAS validated as opposed to just 73 sites in the U.K. (see Table 1). Firms in the U.K. have, however, responded enthusiastically to ISO 14001 with about 1,014 sites certified. Additionally, in Germany, 1,950 sites have become ISO 14001 certified (see Table 2). By contrast, only 750 American sites are ISO 14001 certified. (American firms are not eligible to participate in

[16] World Commission on Environment and Development, *Our Common Future* (New York: Oxford University Press, 1987); World Bank, *World Development Report* (New York: Oxford University Press, 1992); Stephen Schmidhieny, *Changing Course* (Cambridge: MIT Press, 1992).

[17] David E. Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley, 1992); Donald F. Kettl and John J. Dilulio, Jr., eds., *Inside the Reinvention Machine: Appraising Governmental Reform* (Washington, D.C.: Brookings Institution Press, 1995).

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TABLE 1
EMAS: RESPONSE ACROSS COUNTRIES

Country	*No. of Registered Sites as of May 24, 2000*	*No. of Registered Sites per $ Billion 1998 GDP*
Germany	2,331	1.10
Austria	228	1.05
Sweden	176	0.78
U.K.	73	0.06
Total	3,325	n/a

SOURCES: ISO World (2000), http://www.ecology.or.jp/isoworld/english/analy14k.htm (retrieved May 24, 2000); World Bank (fn. 18), 230–31.

TABLE 2
ISO 14001: RESPONSE ACROSS COUNTRIES

Country	*No. of Registered Sites as of April 2000*	*No. of Registered Sites as a Proportion of 1998 GDP*
Japan	3,548	0.87
Germany	1,950	0.92
U.K.	1,014	0.80
U.S.	750	0.09
Thailand	255	1.90
Malaysia	155	1.94
Total	15,772	0.55

SOURCES: ISO certifications: ISO World ISO (2000), http://www.ecology.or.jp/isoworld/english/analy14k.htm (retrieved May 24, 2000); GDP: World Bank (fn. 18).

EMAS.) When considered in relative terms, that is, as the number of certificates in relation to the size of the economy, these differences become even more pronounced (see Tables 1 and 2).[18] What explains these differences in the uptake of supranational EMS?

[18] These tables measure take-up rates in absolute terms, as well as by the number of certified sites in relation to GDP. Because no comparable data exist on the total number of sites in these countries, we are unable to calculate the ideal comparative measure—the ratio of certified sites to total sites for each country. As such, we assume that GDP is a rough proxy for the total number of sites. We base this assumption on the fact that the U.S., U.K., and German economies have broadly similar structures. In comparing take-up rates of EMAS, which is only available to firms in manufacturing sectors, we also look at the share of manufacturing as percentage of GDP in the U.K. and Germany. In the U.K. manufacturing makes up 21 percent of GDP, while in Germany it makes up 24 percent, again showing that they are roughly similar. It should also be pointed out that we are not comparing the take-up rates of EMAS and ISO 14001 within countries but rather are comparing the take-up rate of each EMS separately across countries. As such we compare only like with like. Data are from World Bank, *1999/2000 World Development Report* (New York: Oxford University Press, 2000), 252–53.

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We began investigating these intercountry variations with the hypothesis that firms in countries with adversarial economies such as the U.S. and Germany—where regulators and business are on less than friendly terms—are less likely to adopt EMS-based policies. This is because regulators would be unwilling to offer companies the necessary incentives, such as regulatory relief, to make these voluntary schemes attractive. This hypothesis explains why the take-up of ISO 14001 has been relatively high in the U.K. (a nonadversarial economy) and low in the U.S. (an adversarial economy). However, it cannot explain the high rate of EMS take-up, both of EMAS and ISO 14001, in Germany, where the stringency of environmental legislation has been a contentious issue between government and industry. In contrast to the consensual style of policy-making found in economic policy fields in Germany, environmental policy-making is characterized by strident, public disagreements between industry and environmental groups with government regulators often caught in the middle. Second, the adversarial economy hypothesis cannot explain why EMAS has been more popular in Germany than in the U.K.

To explain these puzzles, the original hypothesis needs to be better specified. Thus, the article examines two additional independent variables—the type of adversarial economy and the nature of supranational policy regimes—that influence the institutional environment and shape incentives for firm participation. In examining the research questions, the article employs an institutionalist perspective. It draws insights from three variants of this perspective—new institutionalism, historical institutionalism, and regime theory. Specifically, the article focuses on the roles institutions play as intervening variables between individual choices and collective outcomes, as well as their impact on incentives and preferences of various actors (firms, regulators, and citizen groups). By taking the causal power of both domestic and supranational institutions seriously, the article sheds light on how these two variables interact and how in turn this interaction affects governance in a world with increasingly fragmented authority structures.

The article proceeds in four sections. The first section briefly outlines the three variants of the institutionalist approach and draws links between them and our research questions. Section II outlines the basic features of ISO 14001 and EMAS and their historic development. Section III examines the hypotheses outlined above and explains why there has been such a pronounced cross-national difference in EMS adoption. The last section presents conclusions and issues for further research.

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The Institutionalist Approach

This article employs an explicitly institutional approach to explaining the linkages between supranational policy and domestic outcomes. We draw on and synthesize insights from three different variants of institutional theory used in political science, namely, historical institutionalism, regime theory, and new institutionalism. Despite some very real differences, the approaches start from a similar core set of assumptions. Broadly speaking, the institutional approach asserts that institutions influence individual strategies and collective outcomes. This assertion begs the following questions: What are institutions (definitional)? How and why do they arise/sustain themselves (ontological)? And what is their impact on individual choices and collective outcomes (epistemological)?

After falling out of favor during the postwar behaviorist revolution, the revival of institutional theory in political science began in the 1960s, when public choice theorists started investigating how institutions arise (especially legislative institutions) and impact collective outcomes.[19] This new variant, whose subsequent incarnation came to be known as new institutionalism, grants individual agents autonomous decision-making capabilities within a set of structural confines, as well as the ability to shape institutions.[20] In this perspective, institutions are viewed as enforced rules about what actions are required, prohibited, or permitted.[21] In effect, institutions are assumed to affect incentives and also, therefore, individual choices and collective outcomes.[22]

New institutionalism is particularly helpful in examining the impact of institutions on collective action problems that are rooted in the clash

[19] James A. Buchanan and Gordon Tullock, A *Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962); Kenneth J. Arrow, *Social Choice and Individual Values* (New Haven: Yale University Press, 1963); Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge: Harvard University Press, 1965).

[20] The literature on this subject is vast. Key works, both supportive and nonsupportive of new institutionalism, include Walter W. Powell and Paul J. DiMaggio, eds., *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago Press, 1983); Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91, no. 3 (1985); Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, *Bringing the State Back* in (Cambridge: Cambridge University Press, 1985); Thrainn Eggertsson, *Economic Behavior and Institutions* (Cambridge: Cambridge University Press, 1990); Eirik G. Furubotn and Rudolf Richter, eds., *The New Institutional Economics* (College Station: Texas A and M University Press, 1991); Sven Steimo, Kathleen Thelan, and Frank Longstreth, *Structuring Politics* (New Haven: Yale University Press, 1992); R. Kent Weaver and Bert A. Rockman, eds., *Do Institutions Matter?* (Washington, D.C.: Brookings Institution, 1993); Guy B. Peters, *Institutional Theory in Political Science* (London: Pinter, 1999).

[21] Elinor Ostrom, "An Agenda for the Study of Institutions," *Public Choice* 48 (1986).

[22] Douglas C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990); Elinor Ostrom, *Governing the Commons* (Cambridge: Cambridge University Press, 1990).

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between individual and collective rationalities. Unlike historical institutionalists, new institutionalists assert that many (not all) institutions are human artifacts. They thus begin with the premise of methodological individualism—that individuals are the key actors and that they act to maximize their own personal utility. Of course, the final outcome in terms of institutional design may not be pareto superior or efficiency enhancing; that is, institutions may bestow benefits and impose costs asymmetrically across actors.[23] We begin with a new-institutionalist assertion that institutions are human artifacts crafted to corner collective gains that cannot be accessed adequately through individual action. Both ISO 14000 and EMAS were established at the urging and participation of MNEs looking to guard against the proliferation of national standards that could potentially serve as nontariff barriers to trade. Drawing on this new-institutionalist framework, we assume that firms base their decisions about adopting an EMS on the prevailing incentive structures. However, new institutionalists often do not adequately highlight the embeddedness, especially the cultural embeddedness, of one set of institutions in another set. As such, the importance of this embeddedness in determining institutional efficacy and an institution's attractiveness to actors who may consider joining it is left largely unexplored. We therefore turn to historical institutionalism and regime theory to better understand how supranational regimes are embedded in domestic structures and why incentives for firms vary cross-nationally.

Unlike new institutionalists, historical institutionalists do not ontologically privilege agents over structures. They start with the premise that choices made during the formation of an institution have lasting effects on the future operations of that institution. Often referred to as path dependency, this approach holds that past decisions that have become formalized in institutions limit the range of present possibilities. In short, history—as embodied in laws, policies, and procedures—matters. Historical institutionalists claim to endogenize or explain individual preferences while new institutionalists treat preferences as exogenous. Thus, the debate between new institutionalists and historical institutionalists centers on the levels of agent autonomy vis-à-vis structures, the ability of individuals to modify these structures, and the degree to which actors' preferences are exogenous.

Historical institutionalists also define institutions somewhat more broadly.[24] Although Peter Hall's oft cited definition of institutions as

[23] North (fn. 22); Jack Knight, *Institutions and Social Conflict* (Cambridge University Press, 1992).

[24] See, for example, John R. Commons, *Institutional Economics: Its Place in Political Economy* (Madison: University of Wisconsin Press, 1961).

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"formal rules, compliance procedures and standard operating procedures that structure . . . relationships" does not differ greatly from the new-institutionalist definition, it incorporates more normative conceptions.[25] To use the words of March and Olsen, it includes the "logic of appropriateness" as well as the "logic of consequentiality."[26] Thus, institutions influence actors not only by influencing their calculus of benefits and costs but also by acting as guides to what is appropriate behavior.[27] This last point can be helpful in examining how actors in different cultural and historical settings react to similar challenges, for example, how they deal with environmental degradation. While historical institutionalists tend to emphasize the differences between their approach and that of new institutionalists, the two are more complementary than contradictory.[28] Many new institutionalists employ historical explanations that emphasize path dependency.[29] As such, an integration of these two approaches gives us a framework for analyzing why and to what extent firms in the U.K., the U.S., and Germany face different sets of institutionally based incentive structures when deciding whether to adopt EMAS and/or ISO 14001.

The third strand of institutionalism that will be employed in this article, regime theory, is more a collection of theories than an explicit approach. In many ways, the distinction made between domestic and international politics is an arbitrary one, reflecting divisions over how political life is studied, rather than over how it is practiced. This division has been exacerbated to a certain extent by the dominance of realism/neorealism in the study of international relations. The emphasis in this approach on international anarchy leaves little room for the role of institutions as meaningful variables. To the extent that institutions do matter in international relations, they are seen to reflect the preferences of the hegemon and thereby become epiphenomenal.[30]

Throughout the postwar period various challenges to the realist position that have often been couched in institutional terms. By the late

[25] Peter Hall, *Governing the Economy: The Politics of Intervention in Great Britain and France* (New York: Oxford University Press, 1986), 29.

[26] James March and Johan Olsen, *Rediscovering Institutions* (New York: Free Press, 1989), 56.

[27] On this subject, see the debate between Lake and Sandholtz: David A. Lake, "Global Governance: A Relation Contracting Approach," in Prakash and Hart (fn. 2); and Wayne Sandholtz, "Globalization and the Evolution of Rules," also in Prakash and Hart (fn. 2).

[28] Elinor Ostrom, "Rational Choice and Institutional Analysis: Toward Complementarity," *American Political Science Review* 85 (March 1991).

[29] For example, North (fn. 22); and Ostrom (fn. 22).

[30] Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979); Joseph Greico, "Anarchy and the Limits to Cooperation," *International Organization* 42 (August 1988). For an overview of the neorealist-institutionalist debate, see David A. Baldwin, ed., *Neorealism and Neoliberalism: The Contemporary Debate* (New York: Columbia University Press, 1993).

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1970s a broad-based institutional approach began to appear in the form of regime theory.[31] Developed to explain the institutionalized mechanisms of international cooperation that are a part of everyday life within an anarchic world, regime theory has come to employ a definition of institutions similar to that used by students of domestic politics. Krasner, in his widely used definition, posits that regimes are "implicit or explicit principles, norms and decision-making procedures around which actors' expectations converge in a given area of international relations."[32]

To make the notion of regimes more precise, some theorists distinguish between international orders such as the capitalist market system and more narrow regimes such as the WTO. Indeed in his most recent work, Oran Young argues that regimes are usually limited to one specific issue-area such as global warming, ozone depletion, or reduction of trade barriers. Despite this distinction, regime theory is prone to certain boundary problems.[33] Thus, for example, while the EU has often been subsumed under regime theory,[34] it is not quite clear where regimes end and more complex, supranational polities begin.

Much of regime theory has concentrated on describing the processes by which states agree to give up sovereignty in narrow policy areas through the implementation of international agreements. As noted in the introduction, regime theory has not paid much attention to examining the effects that supranational regimes have on domestic actors, and even fewer studies have examined the effects of regimes on nongovernmental domestic actors.

Literatures that address this gap do exist, however. Perhaps most notable of these is the globalization discourse.[35] An important issue within this literature is whether the increasing levels of capital flows, both portfolio and foreign direct investment, will cause a convergence in the political, economic, and cultural institutions of once disparate societies.[36] This article joins the debate by examining a case where supranational

[31] Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (Boston: Little and Brown, 1977).

[32] Krasner (fn. 7), 2.

[33] Young (fn. 2).

[34] For example, Andrew Moravcsik, "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach," *Journal of Common Market Studies* 31 (1993).

[35] For other works that look at the effects of domestic institutions on foreign policy decision making, see Peter J. Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978); Putnam (fn. 11); Peter A. Gourevitch, "Squaring the Circle: The Domestic Sources of International Cooperation," *International Organization* 50 (Spring 1996); Kal Raustiala, "Domestic Institutions and International Regulatory Cooperation: Comparative Responses to the Convention on Biological Diversity," *World Politics* 49 (July 1997).

[36] Berger and Dore (fn. 8); Peter Evans, "The Eclipse of the State? Reflections on Stateness in an Era of Globalization," *World Politics* 50 (October 1997); Herbert Kitschelt, Peter Lange, G. Marks, and John D. Stephens, eds., *Continuity and Change in Contemporary Capitalism* (Cambridge: Cambridge University Press, 1999).

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policy regimes have not resulted in significant convergence in the management systems of firms located in the U.K., the U.S., and Germany. It does this not only by looking at how domestic institutions structure firms' preferences for participating in an EMS but also, and somewhat uniquely, by examining how the nature of the policy regime itself shapes governments' abilities to mold this policy to its own institutional landscape.

We draw on and synthesize insights from the three different variants of institutional theory outlined above. While historical institutionalism has been used almost exclusively by comparativists and regime theory almost exclusively by scholars of international relations, new institutionalism has been able to offer insights to both subfields. As such, we start with the new-institutionalist assumption that individual firms look to prevailing incentive structures as the basis for deciding whether to adopt an EMS. We then turn to historical institutionalism and regime theory to better understand the formation of incentive structures and how they vary across countries. We do not privilege the importance of one type of institution over the other. Rather, we are interested in the interactive effects of supranational and domestic institutions. In examining this interaction, we pinpoint the circumstances under which each has causal effects. In our case, and we suspect in most cases, both are important in explaining the outcomes observed.

EMAS AND ISO 14001

EMAS and ISO 14001 are consciously crafted supranational regimes whose origins can be found in both economic globalization and what Richard Falk refers to as "globalization from below."[37] Falk argues that while the influence of MNEs and supranational economic institutions such as the WTO, the IMF, and the World Bank have greatly increased through economic globalization, the power of these institutions has simultaneously been countered by the spread of certain supranationally accepted norms. One of the most important of these global norms is sustainable development, which calls for economic growth that does not outstrip the earth's capacity to regenerate the resources used. As a result of the acceptance of this norm, the last decade has seen the establishment of several supranational environmental programs in which business formally recognizes its responsibility to the environment and pledges to take a proactive stance to reduce its ecological impacts.[38]

[37] Falk (fn. 5).

[38] Other examples of supranational "beyond compliance" codes include the chemical industry's Responsible Care Program, the Valdez Principles, and the International Chamber of Commerce's

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The early 1990s also saw changes in the EU's basic environmental policy framework. The 5th Environmental Action Plan, published in 1992, proposed introducing more voluntary and market-oriented policy instruments.[39] Interest in a voluntary EMS scheme grew within the European Commission after what was perceived to be the successful piloting of the national British EMS standard, BS 7750. In December 1991 the commission submitted a proposal for the EMAS regulation to the European Environmental Council. After intense debate it was finally adopted as a community regulation in June 1993.[40] As a governmental initiative, the individual member states are responsible for establishing the accreditation system for the independent verifiers and for appointing a body responsible for registering companies into the system.[41] Many countries have chosen to use private bodies for these tasks. Typically, these bodies are also responsible for the accreditation and registration procedures of the ISO 14001 scheme in that country.

As with EMAS, one of the primary objectives of ISO 14001 is to preempt the proliferation of national environmental laws that could serve as trade barriers.[42] ISO took the first step toward developing ISO 14001 in 1991, when it established a strategic advisory group. In 1992 a technical committee (TC 207) was set up to formulate environmental standards. Forty-seven countries participate in TC 207 as full voting members, and another thirteen participate as advisers. National standards organizations such as the DIN (Deutsche Institut Normen) in Germany or the ASNI (American National Standards Institute) in the U.S. make up the official membership of ISO. Much of the work carried out in the subcommittees is done by appointed "experts," however, many of whom are representatives of industry.[43] TC 207 has six subcommittees,

Business Charter for Sustainable Development. For a theoretical discussion, see Aseem Prakash, "Responsible Care: An Assessment," *Business and Society* 39, no. 2 (2000).

[39] Commission of the European Communities, *Towards Sustainability: A European Community Programme of Policy and Action in Relation to the Environment and Sustainable Development* (COM(92)23 final, 1992).

[40] The Environmental Council of Ministers is the intergovernmental body that consists of the environmental ministers of the fifteen member states and that is responsible for adopting all environmental legislation proposed by the commission. For reference, the first EMAS draft was published before the 5th EAP in 1991, but it changed a great deal after the publication of BS 7750 and the pilot program that preceded this.

[41] Commission of the European Communities, *Draft Proposal for a Council Regulation Establishing a Community Scheme for the Evaluation and Improvement of Environmental Performance in Certain Activities and the Provision of Relevant Information to the Public (Eco-Audit)* (COM(91)XI/83, 1991).

[42] Jennifer Clapp, "The Privatization of Global Environmental Governance: ISO 14000 and the Developing World," *Global Governance* 4, no. 3 (1998).

[43] D. Hortensius and Barthel, "Beyond 14001," in C. Sheldon, ed., ISO *14001 and Beyond* (Sheffield, U.K.: Greenleaf Publishing, 1997).

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TABLE 3
ISO 14000 SERIES: AN OVERVIEW

ISO Series	*Description*
ISO 14001	environmental management systems: specifications with guidance for their application
ISO 14004	environmental management systems: general guidelines on principles, systems, and supporting techniques
ISO 14010	general principles of environmental auditing
ISO 14011	audit procedures
ISO 14012	qualifications criteria for environmental auditors
ISO 14024	environmental labeling
ISO 14031	environmental performance evaluation
ISO 14040	guidelines on life-cycle assessment
ISO 14050	terms and definitions

SOURCE: Adapted from Subash C. Puri, *Stepping Up to ISO 14000: Integrating Environmental Quality with ISO 9000 and TQM* (Portland, Ore.: Productivity Press, 1996), 18.

which, in turn, have several working groups. As illustrated in Table 3, the ISO 14000 series consists of one mandatory compliance standard—ISO 14001—and several nonmandatory guideline standards. The mandatory standard, like EMAS, calls for establishing an EMS whose criteria must be met in order to receive certification from an outside verifier. Since both ISO 14001 and EMAS are based on BS 7750, they share many structural similarities.

Despite explicit efforts to bring ISO 14001 and EMAS into conformity with one another, several differences exist between the two standards. The most important of these can be found in the scope, reporting requirements, and the strength of language contained in the two standards. EMAS is restricted to use within EU/EFTA member states, while ISO 14001 is international. Additionally, EMAS can be employed only by manufacturing industries and must be implemented at specific sites, whereas ISO 14001 is open to organizations of all kinds and is not site specific. Thus, while ISO 14001 can be used to certify all of a company's offices and production sites, companies opting for an EMAS certificate must have each of its production sites validated separately and cannot include nonproduction offices in the certificates. Furthermore, EMAS requires participating companies to publish an environmental statement. While ISO 14001 encourages open communication with the public, no environmental publication is required. Finally, several elements of EMAS that are also found in ISO 14001 are stated in more concrete language and leave less room for interpretation. Thus, for example,

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both standards consider the need to make continuous improvements in environmental performance. EMAS, however, requires improvements in actual environmental performance, whereas ISO 14001 calls only for making continuous improvements in the management system. Similarly, while compliance with all national and supranational environmental laws is a requirement for EMAS validation, ISO 14001 participants have to show only that the management system is capable of ensuring legal compliance. While there is little evidence to suggest that companies with EMAS validation have higher levels of environmental performance than those certified to ISO 14001, EMAS is widely perceived to be the more stringent of the two standards among both environmental and business groups.[44]

In adopting EMAS or ISO 14001, firms face two kinds of costs. First, they have to create a new EMS or modify an extant one. Both EMAS and ISO 14001 require extensive documentation, which, in turn, requires the use of significant company resources. Because of the environmental statement obligation, the documentation necessary for implementing EMAS is greater than that required for implementing ISO 14001. Second, both EMSs require third-party certification. These expenses are significant, typically around $25,000 per facility. It is estimated that for a firm with twelve facilities, overhead and certification expenses would amount to $1 million per annum.[45] There is no evidence to suggest that the costs of verification are greater for one EMS than for the other. Generally, the auditing of the two systems within European countries is carried out by the same firms, which offer identical services for both EMSs.

Adopting EMAS and ISO 14001 also creates benefits for firms. First, these initiatives have the potential to enhance participants' environmental image. While often difficult to quantify, this enhanced image could lead to such things as increased sales, better ability to recruit talented employees, and improved relations with environmental regulators

[44] Commission of the European Communities, *Regulation on EMAS* (EEC/1836/93, 1993).

The European Union is in the process of adopting a revised EMAS II scheme that would use ISO 14001 as the management system part of the scheme. The European Parliament has also tried to add amendments to this proposal to introduce concrete performance standards such as more stringent BAT measures. No final draft has yet been decided upon. Thus the struggle both to harmonize EMAS with ISO 14001 and to strengthen the scheme goes on. For the latest version of EMAS II draft proposal, see Commission of the European Communities, *Community Preparatory Acts,* Document 599PC0313 (2000).

[45] NSF International, *International Environmental Management System Demonstration Project: Final Report* (Ann Arbor, Mich.: NSF International, 1996). Procter and Gamble, however, estimates a higher figure: $100,000 per site. With 150 facilities worldwide, it would amount to $15 million for Procter and Gamble's worldwide operations. See Ans Kolk, *The Economics of Environmental Management* (Essex: Prentice Hall/Financial Times, 2000).

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and other stakeholders.[46] This latter advantage could lead to greater industry influence over policy-making processes. Since command-and-control regulations (that still form the basic structure of environmental policies) are often perceived to be unfriendly to industry and economically inefficient, better access to and influence over the regulatory process could bring real benefits to the companies involved.

Second, supranational EMS norms could facilitate international trade by replacing country-specific standards with a supranational standard. To a certain extent, of course, the regional scope of EMAS undermines this principle. In fact, one reason many European companies opt for ISO 14001 over EMAS is its international scope. Both, however, do offer the potential advantage of lowering trade barriers by superseding national standards. The use of these EMS standards in developing countries that are widely perceived to have lower environmental standards could also result in a more level playing field, thereby blunting the empirically incorrect but politically powerful criticism that foreign trade abets the lowering of environmental standards.[47]

Finally, EMSs have the potential to bring companies tangible financial gains. First, locating and subsequently reducing resource waste during production processes could lead to significant cost savings. These savings would come in the form of lower energy expenditures, reduced waste-handling fees, and lower costs for raw materials. Additionally, companies with EMSs may be able to secure better insurance and/or lending rates.[48] Many suggest, however, that such "low hanging fruit" has already been plucked and EMSs can only marginally lower production costs.[49]

To summarize, both EMAS and ISO 14001 bestow benefits on firms but also impose costs. Most costs are quantifiable and occur in the short run, while the benefits are nonquantifiable and occur over the long run. Costs are often excludable and benefits relatively nonexcludable. The varying degrees of success of ISO 14001 and EMAS in the U.S., the U.K., and Germany suggest that the perception of benefits and costs of these two EMSs varies significantly across countries. The next section examines the reasons for this variation in response. Building on our original

[46] For an overview of the stakeholder theory, see Max B. E. Clarkson, ed., *The Corporation and Its Stakeholders* (Toronto: University of Toronto Press, 1998).

[47] For a review, see Jagdish Bhagwati and Robert E. Hudec, eds., *Fair Trade and Harmonization* (Cambridge: MIT Press, 1996), vols. 1, 2.

[48] "Responsible Care Earns Discount on EIL Premium," *Chemical Week* (July 23, 1997), 11.

[49] Noah Walley and Bradley Whitehead, "It's Not Easy Being Green," *Harvard Business Review* (May–June 1994). For an opposing view, see Michael E. Porter and C. van der Linde, "Towards a New Conception of Environment-Competitiveness Relationships," *Journal of Economic Perspectives* 9, no. 4 (1995).

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hypothesis that the institutionalization of business-government relations in a country would influence the attractiveness of an EMS to firms, the section also examines effects of the type of adversarial economies and the nature of the policy regime in explaining these outcomes.

Firm-Level Response: A Cross-National Comparison

As stated previously, firms' responses to EMAS and ISO 14001 have varied in Germany, the U.K., and the U.S. (see Tables 1 and 2). British firms have responded enthusiastically to ISO 14001, but EMAS take-up rates in the U.K. are rather low in comparison with those in other EU member states. German firms have responded enthusiastically to both EMS standards. By contrast, American firms have not responded enthusiastically to ISO 14001, the only international EMS standard available to them. How can these variations be explained? Our initial hypothesis posited that firms residing in countries with adversarial economies will be less likely to adopt EMS standards.[50] As will subsequently be discussed, although adversarial relations come in different forms, it is generally agreed that they are found in countries where governments have shown a persistent will and ability to pass stringent pollution-control legislation over the objections of industry. Thus, historically, governments have imposed environmental policy upon industry without extensive attempts at consensus building.[51]

In the realm of environmental policy, environmental groups contributed significantly to this adversarial relationship. Because of the transnational nature of many environmental groups, scholars have tended to ignore cross-national differences in the environmental movements found in advanced industrial societies. While a global civil society may be forming around such issues as human rights and environmental issues, differences between national groups and broader national social movements should not be ignored. Thus, for example, governments in countries with politically strong environmental move-

[50] MNEs have facilities across countries. Pauly and Reich (fn. 15) Research suggests that the nationality of the parent firm continues to matter in many aspects of corporate governance. However, most MNEs try to implement nonmarket strategies, especially in terms of their relationship with regulators, that respond to the characteristics of the host country. In other words, MNEs' nonmarket strategies are multidomestic and not global; David P. Baron, *Business and Its Environment* (Upper Saddle River, N.J.: Prentice Hall, 1999). This, of course, may prove problematic if the opposition to MNEs assumes a global rather than a local character—Seattle being a case in point. For a detailed discussion, see Aseem Prakash, "Beyond Seattle: Globalization, the Non-Market Environment, and Business Strategy," Working Paper no. 2000-03 (Department of Strategic Management and Public Policy, The George Washington University, Washington, D.C., 2000).

[51] Lennart Lundqvist, *The Hare and the Tortoise: Clean Air Policies in the United States and Sweden* (Ann Arbor: University of Michigan Press, 1980).

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ments that espouse an anti-industry ideology—such as Germany and the U.S.—often have to deal more harshly with polluting industries than governments in countries where the environmental movement is not so anti-industry in orientation. Environmental groups that are suspicious of industry "capture" of regulators are often wary of consensual, third-generation regulations. As a result, they often put a great deal of pressure on governments to continue using prescriptive command-and-control policies. Not surprisingly, levels of trust among all three actors tend to be rather low.

This adversarial relationship negatively affects firms' incentives to participate in an EMS in a number of ways. First and perhaps most obviously, governments find it difficult to offer firms regulatory relief and/or more access to policy-making processes. Second, years of stringent environmental laws make industry suspicious of any type of environmental regulation, even of a voluntary nature. Those in industry are on the lookout for hidden dangers. Furthermore, companies that have been fined for violating environmental regulations or have been taken to court in environmental liability lawsuits are leery of sharing information with third-party auditors. Finally, firms that have been stringently regulated are less likely to find environmentally related cost-cutting opportunities through EMS arrangements than are their counterparts in less stringently regulated countries. This occurs for the rather obvious reason that tightly regulated companies have already been forced to use resources more efficiently and therefore have generally exhausted the easily implemented cost-cutting measures. All told, firms operating in countries with an adversarial economy have fewer incentives to participate in EMS schemes than do their counterparts in countries where relations are less conflictual.

The term adversarial economy was developed to describe government-business relations in the U.S.[52] This adversarial economy has deep historical roots that can be traced back to the manner in which industrialization occurred in the U.S. and to the early emergence of manufacturing and distribution monopolies. In the U.S., unlike in some European countries, government stepped in to regulate big business, and this crusading mentality has become embedded in the missions and cultures of many federal regulatory agencies. While considerably younger than the first regulatory agencies that gained fame during the Progressive Era, the Environmental Protection Agency (EPA) was cre-

[52] Alfred D. Chandler, "Government versus Business: An American Phenomenon," in John Dunlop, ed., *Business and Public Policy* (Cambridge: Harvard University Press, 1980); Alfred A. Marcus, *The Adversary Economy* (Westport, Conn.: Quorum Books, 1984).

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ated to combat what was perceived to be widespread industry abuse of the environment. To retain support of its key constituents, the EPA aggressively regulates industry.[53] The adversarial nature of environmental policy-making in the U.S. has been meticulously described by a number of scholars.[54] However, perhaps the most damning evidence can be found in a simple statistic. A study in the early 1990s found that four out five regulations signed by the EPA administrator are challenged in court.[55] Not only are these challenges costly and time consuming, but their adversarial nature has all but poisoned relations between the EPA, industry, and environmental groups.

In many ways the German system would appear to represent a very different model of regulatory control. Germany is known for its consensual style of policy-making in which its social partners, the peak industry and labor associations, are intimately interwoven in the decision-making processes. Although business is regulated through well-defined laws with quantified standards, these standards are usually made by consulting industry or by industry itself. However, not all regulatory fields fit this general policy-making model, and German environmental policy is in many ways an exception to the rule.[56] Faced with a popular and relatively radical environmental movement that is ideologically opposed to compromise with industry, the German government has been forced to take a less conciliatory line with industry than is usual. While the government has on a number of occasions caved in to industry pressure, it has consistently shown a will and an ability to pass stringent, technology-forcing environmental laws over industry protests.

[53] The adversarial economy coexists with numerous instances of "capture," especially in relation to nonenvironmental issues; on "capture," see George Stigler, "The Economic Theory of Regulation," *Bell Journal of Economics* 2 (Spring 1971). Historically, regulatory agencies have also functioned as cartel-enforcing bodies in industries such as trucking, railways, and airlines. Thus, as we argue subsequently, the notion of adversarial economy needs better specification.

[54] See Vogel (fn. 12); and Kagan (fn. 12, 1994, 1991).

[55] Environmental Protection Agency/EPA, *Oral History Interview 1, William K. Reilly,* http://www.epa.gov/cgi-bin/claritgw, 1995 (retrieved November 17, 2000).

To illustrate further, in the recently decided *Browner v. American Trucking* and *American Trucking v. Browner* cases by the U.S. Supreme Court, the trucking industry challenged the EPA's authority to make rules under the Clean Air Act. In 1997 the EPA promulgated regulations on stricter ozone and particulate emission standards. A large number of business groups also filed friends-of-the-courts briefs arguing that such regulatory powers are not inconsonant with the nondelegation doctrine that requires that laws be made by the elective representatives only (the EPA being a nonelected body). Further, firms were outraged that the EPA promulgates regulations predominantly to achieve public health objectives, without doing adequate cost-benefit analysis. At a broader level, this case suggests that businesses are challenging the authority of all federal regulatory agencies and reinforcing the continuation of an adversary economy.

[56] Edda Müller, *Innenwelt der Umweltpolitik: Sozial-liberal Umweltpolitik* (Opladen: Westdeutscher Verlag, 1986).

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In part, the similarities between American and German environmental policies are not entirely coincidental. In the early phases of German environmental policy-making, legislators borrowed heavily from the American model that had been developed several years before.[57] This emulation included the use of technology-forcing emissions limits and the prescriptive use of the best available technology (BAT). The political will to pass this kind of legislation in the face of industry opposition grew throughout the 1980s along with the strength of the environmental movement and the newly formed Green Party. Perhaps the best example of the environmental movement's influence came with the passage in 1986 of the Large Combustion Plant Directive, which introduced the most stringent sulfur dioxide emissions limits for power plants in the world at the time. Despite intense industry lobbying against the adoption of such measures, the government was forced to react to widespread public dismay over the effects of acid rain on German forests. If it was not already clear, the drama that surrounded the passage of this legislation confirmed the fact that environmental policy-making in Germany would not adhere to the consensus-seeking style that characterizes economic policy-making.

Several German scholars have, however, noted a trend toward greater cooperation between environmental groups, government bureaucracies, and industry.[58] While it is true that the less radical, pragmatic wing of the Green Party, known as the Realos, has come to dominate party policy and that environmental groups are now regularly consulted before the passage of major environmental legislation, there is little evidence to suggest that levels of trust between industry and environmentalists have risen significantly. This fact has been demonstrated several times since the entry of the Greens into a national ruling coalition with the Social Democrats two and a half years ago. Although weakened by their somewhat disappointing showing in the 1998 election, the Greens entered the coalition promising to deliver on two reform projects that have been a part of the party's platform for years, namely, an ecologically oriented tax reform and shutting down Germany's nuclear power program. Both of these projects have met with significant resistance from German business groups, which have shown very little inclination to compromise on either subject. While a modest tax has been levied on mineral oil and natural gas over the objections of industry, talks aimed at encouraging energy companies to voluntarily

[57] Ibid.

[58] Helmut Weidner, "Twenty-five Years of Modern Environmental Policy in Germany: Treading a Well-Worn Path to the Top of the International Field," WZB Working Paper, FS II 95-301 (1995).

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shut down their nuclear power plants in exchange for compensation have largely failed. In the summer of 2000 an agreement was reached in which it was agreed that the country's atomic power plants would be allowed to operate for another thirty-two years—a compromise that met almost none of the Green Party's demands. One of the party's two chief spokespersons reacted by calling the deal "unacceptable" and publicly voicing fears about substantial membership loss.[59] A minority of the Green Party supporters found this solution unacceptable and have called on party leaders to withdraw from the coalition. Thus, in neither case has a true consensus been reached, suggesting that the old politics of mistrust is still very much a part of German environmental policy-making.

According to David Vogel, the U.K. employs a style of environmental regulation very different from that practiced in the U.S. and Germany.[60] The British government has traditionally shied away from using national emissions limits to reduce industrial pollution. Instead, operating permits for individual sites are negotiated between local environmental inspectors and site personnel. Although national laws do stipulate nonbinding, general guidelines for emissions limits, these laws also specifically state that local environmental as well as economic conditions should be taken into account when setting these limits. British environmental regulators seldom take violators to court and have facilitated a cordial relationship between themselves and the regulated.

As in Germany and the U.S., the origins of this regulatory style can be found in the historic development of environmental policy in the U.K. As the first country to industrialize, the U.K. was also the first country to experience problems with environmental pollution. Not surprisingly, it developed the first pollution-control system with the creation of the Alkali Inspectorate in 1863. Established at a time when the precise measurement of emissions was not possible, the inspectorate relied on negotiations with individual factory sites to bring about pollution reductions. This style, with its reliance on flexibility, has been retained in the extant regulatory culture.

The nature of the environmental movement in the U.K. has also played a role in shaping British policy style. Although this movement is relatively strong in terms of membership and money, its ideology is considerably less radical and, more importantly, less anti-industry than its German or American counterparts.[61] This can, in part, be attributed

[59] M. Urbach, "Konsens aus Koalitionsraeson," *Tageszeitung* (June 6, 2000).

[60] Vogel (fn. 14).

[61] Sonja Boehmer-Christiansen and Jim Skea, *Acid Politics: Environmental and Energy Policies in Britain and Germany* (London: Belhaven Press, 1991); Philip Lowe and Jane Goyder, *Environmental Groups in Politics* (London: Allen and Unwin, 1983).

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to the fact that many older conservationist groups such as the National Trust and the Council for the Protection of Rural England have played an important role in shaping the agenda of the environmental movement. These groups tend to be politically conservative and more willing to take a cooperative stance in dealing with industry. This is not to say that more politically aggressive groups such as Greenpeace and Friends of the Earth have no influence over the British environmental movement. It simply suggests that these groups are not dominant in the way that they are in the U.S. and Germany. As a result, the government has not been under the same kind of pressure to take an adversarial approach to controlling industrial pollution.

Vogel concludes that the adversarial approach to environmental policy practiced in the U.S. and Germany has resulted in about the same amount of pollution reduction as the more consensual style used in the U.K. However, the political costs incurred by the American and German governments in bringing about these improvements far outweighs those incurred by the British government. By employing adversarial tactics, the American and German governments deplete their store of political capital in their relations with industry. As a consequence, industry is wary of responding to initiatives that might set a bad precedent or make business vulnerable to the government or to environmental groups.

One would therefore expect that a voluntary, beyond-compliance EMS would be received more positively by firms in the U.K. than by firms in the U.S. or Germany. True to their adversarial disposition, U.S. regulators reacted to ISO 14001 with skepticism and have not actively promoted it by offering significant regulatory relief to its participants. Most importantly, the EPA has not offered an attorney-client type of privilege to third-party auditors.[62] This makes the prospects of using such auditors less appealing to U.S. firms, which face the stiffest environmental liability laws in the world.

In addition to the issues of the agency's culture and mandate, the EPA faced some real political constraints. It came under severe attack during the 104th and the 105th Congresses. In fact, there was an active proposal to abolish the EPA altogether. In its efforts to survive this onslaught, the EPA received valuable support from environmental groups. And since these groups are skeptical of EMS-based regulation, the EPA would spend its political capital if it actively promoted EMS-based systems.

British regulators, by contrast, have taken great pains to promote EMS-based policies by linking them to other voluntary initiatives and by offer-

[62] Aseem Prakash, "A New Institutionalist Perspective on ISO 14000 and Responsible Care," *Business Strategy and the Environment* 8, no. 6 (1999).

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ing small and medium-size firms financial help in implementing them. The British government has also offered firms some limited amounts of regulatory relief by using both ISO and EMAS as a reducing factor in the risk assessment calculations used to determine frequency of site inspections.[63] Additionally, British firms have benefited from the fact that in the early 1990s the British Standards Institute heavily promoted the national EMS, BS 7750, with a successful and extensive pilot program. This program helped lower firm costs in gaining information about EMS schemes and how to implement them. Since firms with BS 7750 certificates automatically received ISO 14001 certification upon publication of the latter and the withdrawal of the former, this pilot program, along with the national EMS standard, has provided a big boost to ISO 14001 in the U.K. It needs to be added, however, that this pilot program was also carried out with support from the Department of the Environment.[64] Thus, the ability and the will of the British government to facilitate the adoption of beyond-compliance EMS and the inability or will of the U.S. government to do the same go a long way in explaining the different take-up rates of EMSs—either EMAS or ISO 14001—in the U.K. and the U.S.

What the adversarial economy hypothesis cannot explain, however, is why Germany has the highest adoption rates of EMSs (both EMAS and ISO 14001) of the three countries under study and why British firms have responded in such a lukewarm manner to EMAS. Germany and the U.K. thus become the problematic cases in need of explanation. What the article will subsequently argue is that our original hypothesis, while largely correct, is underspecified. To better explain why German firms have responded enthusiastically to EMAS and ISO 14001 and why British firms are more enthusiastic about ISO 14001 than EMAS, one needs to take into account the international policy regime type and the nature of the adversarial economy.

Policy Regime: Procedural versus Substantive

Our original hypothesis suggests that given the strained relations among industry, government, and environmental groups, the German government would not be able to promote EMSs and offer incentives for participation in the same way that the British government could. The fact that the German government offers EMAS-certified companies at least as much, if not more, regulatory relief than the British government does seem to contradict this hypothesis. Upon closer inspection it becomes

[63] Author interview with Martin Cheesborough, Environment Agency, July 14, 1998.

[64] Author interview with Bernard Walsh, Department of Environment, Transport and the Regions, July 13, 1998.

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clear, however, that the kinds of incentives the German government has offered participating companies and the way in which it has used EMAS and ISO 14001 as policy instruments are vastly different from how EMS standards have been used in the U.K. Further, the response of both governments is largely in keeping with their respective policy styles and institutional imperatives. The German government could do so because of the specific characteristics of the EMS regimes. Thus, the success of a supranational regime is contingent both on its nature and on how it fits with the institutional structures of the implementing countries.

EMAS and ISO 14001 are procedural supranational regimes that require the use of certain management systems or the erection of certain schemes. This allows governments to mold these regimes to their own policy styles and institutional imperatives. By contrast, more substantive regimes that stipulate quantifiable goals often do not leave as much room for interpretation or maneuver.[65] As will be shown below, the German and British governments have indeed molded EMAS to their own policy approaches and have used it as almost two different policy instruments. In fact, the German government never wanted EMAS and tried to block its adoption in the European Council. As support for EMAS grew among the other member states, however, Germany decided that it could no longer play the lone holdout. Nevertheless, the German negotiators were able to get certain things written into the final draft that made it more acceptable to them. The most important of these concessions was the addition of what is called EVABAT (economically viable application of the best available technology) as the criteria by which continual improvement in environmental performance is measured. The German negotiators wanted a pure BAT measurement.[66] This was vetoed by the British negotiators, who felt that the Germans misunderstood the idea behind voluntary schemes—in the opinion of the British, to get away from the prescriptive command-and-control type of legislation.[67] Contrarily, the German officials felt that the EMAS regulation put too much emphasis on management systems and not enough emphasis on measuring actual environmental performance.

The contrasting views of what EMAS should be that surfaced during the EU Council negotiations reflected the two countries' diverging pol-

[65] For a more in-depth discussion of the effects of procedural versus substantive supranational policy regimes, see Kelly Kollman, "The Globalization of German Environmental Policy" (Paper presented at the annual meeting of the German Studies Association, Atlanta, Ga., October 7–9, 1999).

[66] For a detailed account of the negotiations that took place in the Council over EMAS, see Siegfried Waskow, *Betriebliches Umweltmangement* (Heidelberg: C. F. Müller, 1997).

[67] Author interview with Geoff Smith, Department of Trade and Industry, July 13, 1998, and Ruth Hillary, March 9, 1999.

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icy styles (rooted, in turn, in institutional structures and histories) and foreshadowed the differing manner in which EMAS would be implemented in each country. Britain has attempted to tie EMAS to what the Department of Environment, Transport and the Regions (DETR) calls the voluntary movement in environmental regulation. This movement calls on companies to find their own marketable ways of improving their environmental performance by engaging in a dialogue with key stakeholders.[68] Thus, the British government has incorporated both EMAS and ISO 14001 into its high-profile environmental reporting and sustainable business schemes.[69] While Britain has done its best to emphasize the beyond-compliance part of EMAS, the German government has implemented it in a way that puts compliance with regulation right back at center stage. Thus, the British government's nondiscriminatory use of both standards coupled with the fact that the preexisting national EMS, BS 7750, is more compatible with the ISO 14000 series than with EMAS explains why the former has been so much more popular than the latter in the U.K.

Unlike in the U.K., where no transposition legislation was employed, the German government has passed a series of detailed laws implementing EMAS. The Federal Environmental Ministry (BMU) made sure that procedures for the legal compliance part of the third-party audit were carefully spelled out and well regulated. Having done this, the BMU let it be known through a series of publications that EMAS could be used as a substitute for certain legal requirements. This would mostly apply to such legal requirements as mandatory environmental reports that industrial sites have to submit to regulators. However, the BMU has also made it very clear that there would be no lifting of material environmental standards.[70] In other words, EMAS participants could be relieved of the onus of double reporting, but they would not see pure deregulation.

To sum up, Germany was able to reach a compromise in its use of EMAS: it offered firms light regulatory relief, but it implemented EMAS like a command-and-control instrument designed to oversee and measure firm environmental performance. The procedural nature of the EMAS regulation provided the German government with enough room for maneuver to find this compromise position. Thus, domestic institu-

[68] Another interview with Bernard Walsh, July 13, 1998.

[69] See Department of Environment, Transport and the Regions, *Environmental Reporting: Getting Started* (London: HMSO, 1999); idem, *Sustainable Development: Opportunities for Change and Sustainable Business* (London: HMSO, 1998).

[70] Waskow (fn. 66).

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tions mattered in influencing the attractiveness of EMAS to German regulators. However, the procedural nature of the supranational regime created the policy space in which the regulators could marry domestic institutional imperatives with the requirements of the regime.

Adversarial Economy

We still need to explain why American regulators have not been able to offer significant regulatory relief to ISO 14001–certified firms. The fact that EMAS is a government initiative may have made it easier for the German government to impose its more prescriptive style on the scheme, but the U.S. government could have done the same with the very flexible ISO 14001. In order to understand the differences in the American and German responses to EMS schemes, we have to look at the different institutional foundations of the two countries' adversarial environmental policy approach. For this, we draw on the work of Robert Kagan.[71]

Kagan suggests that, in comparison with other advanced industrial democracies, the U.S. employs a unique style of policy formation and implementation, for which he coins the term "adversarial legalism." This syndrome encompasses complex and formal legal rules; adversarial procedures for resolving political and scientific disputes; slow and costly forms of legal contestation; strong punitive legal sanctions; frequent judicial review of and intervention in administrative decisions; and proneness to political controversy about (and more frequent change of) legal rules and institutions. It manifests itself in frequent legal contestations, litigant activism, and substantive legal uncertainty about whether an official policy will survive judicial scrutiny.[72]

To elaborate, the fragmented nature of American government and its uniquely weak bureaucracy have led to a reliance on the public's right to challenge and prod official action through litigation. This pattern is easily identifiable in the environmental policy field, with its reliance on court challenges by public interest groups and strict liability law (for example, the joint and several liability clauses in the superfund legislation). Indeed, it is the fear of having evidence gathered from a third-party auditor used against them in a court of law that has caused many American firms to shy away from adopting ISO 14001.

While the German approach to environmental reform relies on adopting complex and legalistic policy over the objections of industry, it only rarely uses the threat of judicial action to ensure that these rules

[71] Kagan (fn. 12, 1994, 1991).

[72] For an account of how American adversarial legalism negatively affected the U.S. government's desire/ability to ratify the Convention on Biological Diversity, see Raustiala (fn. 35).

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are properly implemented.[73] German regulators therefore do not operate under the constant threat of judicial review that can overturn their decisions. Thus, unlike in the U.S., the German courts have played only a minor role in shaping environmental policy. Similarly, liability law remains relatively weak in Germany and has been seen as secondary to the preferred instruments of BAT and strict emissions limits. As a result, the fear of having EMS standards reveal potential liability problems is almost nonexistent for German firms.

Furthermore, while relatively radical environmental movements in both Germany and the U.S. have forced the governments in both countries to take a rather adversarial approach to dealing with industrial pollution, government-industry relations in the area of environmental policy are not identical in the two countries. As noted previously, the German system is noted for its consensual policy-making style. While for the most part this style has not been carried over into the environmental policy-making field, the institutions that facilitate government-industry cooperation in other areas are naturally still in place. The German government has used the dense network of parastate industrial organizations[74] to help work out many of the technical details in the German environmental law.[75] Thus, Germany's adversarial economy is rooted in prescriptive interventionism rather than in adversarial legalism inspired by citizen groups.

One final difference between the American and German environmental regulation has played an important role in the patterns of EMS adoption. Third-party auditors in Germany often offer to certify sites to EMAS and ISO 14001 at the same time, at no additional cost or for only a minimal additional fee. Thus, although the German government does not offer ISO-certified sites any regulatory relief, once a site is EMAS validated, the costs of securing an ISO certificate are rather low. For this price the site then gains the additional advantage of having an internationally recognized certificate. Many U.S. auditors are also beginning to offer auditing services simultaneously for ISO 14000 and ISO 9000 quality system.[76] Though this does result in some savings, especially in terms of time invested by facilities in preparing for the auditors' visit, the savings are small compared with what Germans auditors can offer.

Thus, the type of adversarial economy (adversarial legalism versus

[73] Susan Rose-Ackerman, *Controlling Environmental Policy: The Limits of Public Law in Germany and the United States* (New Haven: Yale University Press, 1995); Helmut Weidner, *Basiselemente einer erfolgreichen Umweltpolitik* (Berlin: WZB, 1995).

[74] Katzenstein (fn. 13).

[75] Müller (fn. 56); Weidner (fn. 58).

[76] Prakash (fn. 1, 2000).

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prescriptive interventionism) is an important factor in how firms respond to EMS standards. In the U.S., where firms fear expensive litigation, incentives for having a certified EMS are less clear than in Germany, where the regulatory burden comes in the form of strict regulation, extensive documentation, and reporting duties. To summarize, the variable nature of the adversarial economy explains the different paths of EMS adoption in Germany and the U.S.

CONCLUSION

ISO 14001 and EMAS are part of a growing trend toward creating beyond-compliance supranational policy regimes. As such, they are characteristic of a new type of environmental governance that is more reliant on both supranational rule making and private authority in implementation. As both EMAS and ISO 14001 are relatively young—six and five years old, respectively—their ultimate effectiveness in changing the behavior of target groups has yet to be established. This article has examined the circumstances under which firms are likely to adopt EMS, adoption rates being the most basic measure of their effectiveness. By comparing the response of American firms with those of British and German firms to both ISO 14001 and EMAS, we have shed light on the manner in which supranational regimes and domestic institutional structures interact with one another, affect firms' incentives, and influence policy outcomes. Using this institutional approach, we have illustrated why our original adversarial economy hypothesis was underspecified and therefore unable to adequately explain either German or American firms' responses to supranational EMS.

For a better specification, we incorporated two additional variables into our analysis. First, it was necessary to look at the nature of the supranational regimes themselves to understand their compatibility with national-level institutions. Drawing on insights from the historical institutionalist literature that emphasize the impact of macrostructures on various actors, the article suggests that supranational policy regimes that are procedural in nature can more easily be manipulated by policymakers to fit a country's institutional framework than can policy regimes that set substantive goals. As a result of this institutional flexibility,[77]

[77] Levy, Keohane, and Haas, as well as Braithwaite and Drahos, conclude that environmental regimes that are strategically vague (similar to procedural regimes in this paper) provide governments with flexibility in implementing them and are therefore less likely to be opposed in the domestic political economy. See Marc A. Levy, Robert O. Keohane, and Peter M. Haas, "Improving the Effectiveness of International Environmental Institutions," in Haas, Keohane, and Levy, eds., *Institutions for the Earth* (Cambridge: MIT Press, 1993), 14; and Braithwaite and Drahos (fn. 1), 295.

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German regulators have been able to offer firms the necessary incentives to participate in EMS without incurring the wrath of environmental groups. They have done so by employing EMAS as another command-and-control instrument and promoting its use over the private ISO 14001. More substantive regimes would not have permitted this kind of flexibility. In keeping with its domestic policy style, the British government has chosen to emphasize the voluntary, beyond-compliance part of both EMAS and ISO 14001. As a result, EMAS is much more popular in Germany than in the U.K.

Second, to explain why U.S. regulators could not follow their German counterparts' example in granting regulatory relief, we differentiated between two types of adversarial economies—adversarial legalism and prescriptive interventionism. These can be differentiated along two dimensions: first, which domestic actors (in our case, business, government, and citizen groups) are important for bringing about an adversarial economy and second, how these groups interact with one another. The adversarial economy that exists in Germany and the U.S. is, in large part, tied to the historic development of a radical environmental movement that pressures the government to regulate industry stringently. While industry in both countries may have similar relations with environmental groups, industry-government relations vary cross-nationally. The German government has used the institutions of its consensual policy-making style in other areas to implement its more controversial environmental policy. This has given it some credibility with industry even in an area where relations are often strained.

The second characteristic of adversarial economies pertains to the institutions and instruments used by the government to regulate industry, as well as to those used by citizen groups to combat corporate power. The adversarial legalism of the American system, which is based on strict liability laws and excessive legal proceedings, discourages both firms and regulators from using an EMS. To the contrary, the prescriptive interventionism of the German government enabled it to pass off EMAS as yet another command-and-control instrument, while at the same time offering some regulatory relief. German firms, having little fear that third-party audits would create self-incriminating evidence that would be used in court, have reacted positively to the self-policing policies enshrined in EMS systems.

It would appear that this general framework can also explain firm-level response to ISO 14001 in East Asia. Firms in those economies that are characterized by high levels of government-business coordination have responded enthusiastically to the introduction of the suprana-

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tional EMS.[78] Japan, Taiwan, South Korea, and Thailand all have high levels of firm participation in ISO 14001 (see Table 2). Although more research is needed to determine the exact national incentive structures for firm participation, the close ties between government and industry in these countries have played a significant role in the relative success of EMSs in these systems. In fact, the fear is that these close relationships may result in a dilution of accreditation standards because some national accreditation organizations function as de facto agencies of the ministries of international trade and commerce. Since such ministries are charged with increasing exports, accreditation organizations may have incentives to lower their standards.[79]

Finally, we conclude by highlighting the implications of our findings. They are twofold. First, supranational policy regimes should not be seen as monolithic forces that get filtered through domestic institutions. These regimes have different characteristics and these characteristics matter. How they matter depends on the domestic institutional imperatives for implementing the regime. Thus, to build upon Putnam's notion of two-level games where domestic politics constrain supranational policy discourse,[80] this article highlights the importance of domestic institutional structures in shaping actors' incentives, both governmental and nongovernmental, in responding to supranational regimes.

This also brings us to some broader conclusions about institutional theory. Comparativists and scholars of international relations have largely developed their unique strands of institutional theory in relative isolation from one another. As globalization continues and governance becomes more transnational in nature, it will become necessary to marry these two strands. While our effort is only a first step in this direction, we believe it offers some insight into the problem. In particular, it is important to recognize that domestic institutions have been created over a longer historic period and in a much more socially dense environment than is true of their international counterparts. As we found, even environmental movements in Western countries have followed a unique and country-specific historical development.

Each country's (and in some cases each region's) institutions have quirks that can have profound effects on the way supranational regimes

[78] David Soskice, "Divergent Production Patterns: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s," in Kitschelt, Lange, Marks, and Stephens (fn. 36).

[79] Naomi Roht-Arriaza, "Environmental Management Systems and Environmental Protection: Can ISO 14001 Be Useful within the Context of APEC?" *Journal of Environment and Development* 6, no. 3 (1997).

[80] Putnam (fn. 11).

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function within their borders. Thus, the study of how supranational regimes interact with domestic structures does not lend itself well to broad generalizations. Our original hypothesis was underspecified precisely because we did not fully understand the implications of this historic detail. The less demanding supranational regimes are in terms of specified outcomes, the more important domestic path dependencies become. As such, progress in understanding domestic/international interlinkages will probably be made only through qualitative case studies that employ thick description.

The second and related implication is that the concept of an adversarial economy is by itself perhaps too simplistic and needs to be better specified by taking into account a wider array of factors. In order for it to be a more useful concept, scholars need to specify each of the following: the issues (in which areas they are adversarial), the actors (for whom, why), the instruments and processes (how hostility is manifested), the institutions (which ones sustain it), the levels (how varying levels of adversarial relationships can be differentiated), and the outcomes (whether varying levels of adversarial relationships affect policy outcomes). Adversarial economies typically have institutional histories that explain why the relationships among regulators, businesses, and citizen groups are distrustful and hostile. The level of distrust and hostility may vary within and across countries. Relationships may be adversarial in some institutional arenas (judicial in the U.S.) but not in others (legislative). This may also vary at different levels of aggregation: it could, for example, be more adversarial at the federal level than at the subnational level. Importantly, highly regulated economies (such as the former Soviet Union) may not always be adversarial. Thus, to better understand how adversarial settings constrain actors, the various dimensions need to be better specified. As has been shown in this article, the type of adversarial economy found in the environmental field in Germany is quite different from the one prevailing in the U.S. This difference, in part, has caused domestic actors in the two systems to react quite differently to the introduction of supranational, beyond-compliance regimes. As the pace of economic globalization grows and our mechanisms of governance change, it is essential that we gain a better understanding of how interactions between local and supranational institutions play out.

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MODERNIZATION IN HISTORICAL PERSPECTIVE
The Case of Imperial Germany

By SHERI E. BERMAN*

THANKS to the global spread of free markets and the third wave of democratization, the connection between economic and political development is once again attracting attention. Trying to sell better economic relations with China, for example, President Bill Clinton had declared that "as China's people become more mobile, prosperous, and aware of alternative ways of life, they will seek greater say in the decisions that affect their lives."[1] President George W. Bush agreed: "It is important for us to trade with China to encourage the growth of an entrepreneurial class," because if we do "you'll be amazed at how soon democracy will come."[2] Among the policy elite, clearly, modernization theory—the belief that industrialization and economic development lead directly to positive social and political change—is back in vogue.

A loose or weak version of the long-derided theory, moreover, is experiencing a revival inside the academy as well. Few scholars these days deny that economic and political development are linked, although they continue to debate precisely how, as well as the degree to which, political liberalization can be forestalled or reversed by elites determined to preserve an authoritarian status quo. What has been less appreciated is that hypotheses in this area can be refined and tested by looking at historical cases in addition to contemporary ones, not least because there the linkages at issue can be studied with the benefit of fuller documentation and greater perspective. Recent historiographical developments, for example, suggest that a case that played a critical role in original modernization theory discussions—Imperial Germany—was miscoded as a dramatic failure when it fact it should be seen as a partial success.

* I would like to thank Jeff Herbst, Andrew Janos, Jeffrey Kopstein, Michael Bernhard, three anonymous *World Politics* reviewers, and Gideon Rose for helpful comments on this article.

[1] "Letter from the president to the speaker of the House of Representatives and the president of the Senate," White House Press Office, January 24, 2000.

[2] GOP presidential candidates debate in Phoenix, Arizona, December 7, 1999.

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As modernization theory was being formulated in the decades after the Second World War, German history presented an obvious challenge to the notion that economic development drove political development inexorably onward and upward: one of the world's most economically advanced countries, after all, had just descended into barbarism.[3] The explanation for this apparent anomaly, many historians and social scientists agreed, was that German history had followed an unusual and pathological course because of a critical disjuncture between its economic and political maturation. "Despite the imposing strengths of the German capitalist economy," the argument ran, "by the start of the twentieth century . . . there was no corresponding 'modernization' of the political system. . . . [The] failure to extirpate the power of 'pre-industrial' traditions at the center of the state vitiated any progress towards liberal democracy before 1914 and undermined the foundations of the Weimar Republic."[4]

Recent research on popular mobilization and political behavior during the imperial era tells a different story, however, one that dovetails well with current thinking on democratic transitions and political development more generally. Unfortunately, because historians shy away from broad cross-national and intertemporal comparisons while political scientists often ignore the past, the possibilities for intellectual cross-fertilization between these literatures have not been tapped.[5] This essay is an attempt to bridge the gap, showing how the work of historians and that of political scientists can enrich each other. In particular, I will argue that from a contemporary perspective Imperial Germany appears less a gross deviation from a benign historical pattern than an early sojourner on the path many rapidly developing countries are treading today. Several features of Germany's past that were previously

[3] The example has even been raised as a charge against today's neomodernizationists: "American foreign policy is now anchored in a peculiarly ahistorical syllogism that assumes industrial capitalism leads eventually to civil democracy (never mind Nazi Germany and other unfortunate exceptions)." William Greider, "Ambassador Babbitt," *Nation* (May 8, 2000), 8.

[4] Geoff Eley, *From Unification to Nazism* (New York: Routledge, 1992), 2.

[5] Important recent exceptions to this generalization about political scientists include Dietrich Rueschemeyer, Evelyn Huber Stephens, and John Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992); and Ruth Berins Collier, *Paths towards Democracy* (New York: Cambridge University Press, 1999). Tom Ertman has also recently reexamined German political history from a broad comparative perspective, but he has come to conclusions that differ from the ones presented here. Ertman, "Liberalization and Democratization in Nineteenth and Twentieth Century Germany in Comparative Perspective," in Carl Lankowski, ed., *Breakdown, Breakup, Breakthrough: Germany's Difficult Passage to Modernity* (New York: Berghahn Books, 2000). See also Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe* (Cambridge: Harvard University Press, 1998).

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considered abnormal or pathological can be found elsewhere, I argue, and while economic development may not have brought about a full transition to democracy before the First World War, it did influence German political development in relatively clear and predictable ways. In short, where Imperial Germany used to be considered an exception to modernization theory, it now appears to provide important insights into just how that theory's key variables are linked in practice.

A reexamination of Imperial Germany that draws on the research and insights of both historians and political scientists has much to offer scholars from both fields. For historians, the exercise provides a fresh perspective on the purported distinctiveness of the country's political system and the relationship between its economic and political development. For political scientists, the German case has important lessons to teach about the role of structure versus agency in driving political liberalization, the time frame necessary for genuine political development to occur, and the role of war and the nature of the international system as wild cards in changing the outcome of the game. Most interestingly, perhaps, it also shows that a weak version of modernization theory holds true, namely, that it is simply not possible *over the long term* for a simple authoritarian regime to maintain control over an increasingly economically developed society.

To Modernity and Beyond

When social scientists tried to make sense of the world in the wake of World War II, one of the chief puzzles they grappled with was how to explain the trajectory of political development in different countries. Why, they asked, were so many members of the advanced industrial West democracies? What would the future hold for the dozens of new nations created by war and decolonization? These questions spawned a growth industry in modernization studies, and from the 1940s through the 1960s a host of scholars studied patterns of political development, focusing in particular on the connections between economic development and political, social, and cultural change. Reflecting the spirit of the American polity and academy during this time, many advanced a relatively simple and bold version of modernization theory—that democracy rested on a set of social and cultural conditions that were themselves the product of industrialization and economic growth. As Seymour Martin Lipset put it, "All the various aspects of economic development—industrialization, urbanization, wealth, and education—

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are so closely interrelated as to form one major factor which has the political correlate of democracy."[6]

During the 1960s a backlash began to mount, arguing that such theorizing was too focused on the Western experience, too teleological and mechanistic, and too linear.[7] Although the critics may have exaggerated the crudity and homogeneity of the earlier generation of research,[8] they scored enough points that by the 1970s cutting-edge scholarship focused less on the benefits of industrialization and economic development than on their pathologies and problems. This new literature argued that there was no necessary progression from economic to political development and that under certain conditions industrialization could even lead to antidemocratic political outcomes such as bureaucratic authoritarianism. Some went still further and questioned the concept of economic development itself, contending that for countries at the periphery of the global capitalist system the future held not growth and autonomy but poverty and dependency.[9] The combination of such critiques and the apparent failure of global politics to conform to the predictions of modernization theory dealt it a heavy blow, and by the late 1970s its fortunes had reached a nadir.

It was precisely then, however, that what has become known as the third wave of global democratization began to gather force, sweeping across continents to topple authoritarian regimes and raise up democracies in their place. Wherever one looked—from southern Europe to

[6] Seymour Martin Lipset, *Political Man* (New York: Anchor Books, 1963), 41. See also Robert Packenham, *Liberal America and the Third World* (Princeton: Princeton University Press, 1973); Walt W. Rostow, *The Stages of Economic Growth* (Cambridge: Cambridge University Press, 1960); idem, *Politics and the Stages of Growth* (Cambridge: Cambridge University Press, 1971); A. F. K. Organski, *The Stages of Political Development* (New York: Knopf, 1965); David Apter, *The Politics of Modernization* (Chicago: University of Chicago Press, 1965); Daniel Lerner, *The Passing of Traditional Society* (Glencoe, Ill.: Free Press, 1958). A good review of this literature is Samuel Huntington and Jorge Dominguez, "Political Development," in Fred Greenstein and Nelson Polsby, eds., *Handbook of Political Science,* vol. 3 (Reading, Mass.: Addison-Wesley, 1975).

[7] Mark Kesselman, "Order or Movement? The Literature of Political Development as Ideology," *World Politics* 26 (October 1973); Ronald Chilcote and Joel Edelstein, *Latin America: The Struggle with Development and Beyond* (New York: Halstad Press, 1974); Andre Gunder Frank, *Latin America: Underdevelopment or Revolution* (New York: Monthly Review Press, 1969); Samuel Valenzuela and Arturo Valenzuela, "Modernization and Dependency," *Comparative Politics* 10 (July 1978); Joel Migdal, "Studying the Politics of Development and Change," in Ada Finifter, ed., *Political Science: The State of the Discipline* (Washington, D.C.: American Political Science Association, 1983); and Tony Smith, "The Underdevelopment of the Development Literature: The Case of Dependency Theory," *World Politics* 31 (January 1979).

[8] Gabriel Almond, "The Development of Political Development," in Myron Weiner and Samuel P. Huntington, eds., *Understanding Political Development* (Boston: Little, Brown, 1987).

[9] Gunder Frank (fn. 7); David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979); Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979); Osvaldo Sunkel, "Transnational Capitalism and National Disintegration in Latin America," *Social and Economic Studies* 22 (March 1973). See also fn. 7.

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East Asia, from Latin America to the Soviet Union—it seemed as if transitions were the order of the day. In many cases, furthermore, the transitions seemed to follow impressive periods of economic development or correlate with a shift to a free-market economy. The result has been an unexpected revival of some of the chief propositions of modernization theory, albeit in a more nuanced and chastened form. Thus Ronald Inglehart has recently argued on the basis of a massive cross-national survey of various economic, cultural, and political indicators that "economic development, cultural change, and political change are linked in coherent and even, to some extent, predictable patterns. Some trajectories of change are more probable than others because certain configurations of values and beliefs, and political and economic institutions, are mutually supportive—while others are not."[10]

As modernization theory was rising and falling and rising again, interpretations of German political development were in flux as well. The central issue related to Hitler and the Nazis: was the emergence of such a radically evil regime primarily the result of contingent events and factors, or was it instead the inevitable result of deep-rooted historical forces? During the Second World War and sometimes after, the latter argument was often expressed in terms of national character or political culture, as if there were something about "the Germans" that predisposed them to do terrible things.[11] Other theories placed responsibility on Germany's exposed geopolitical position, which supposedly led the country to develop a strong state and an aggressive posture.[12]

[10] Ronald Inglehart, *Modernization and Postmodernization: Cultural, Economic, and Political Change in Forty-three Societies* (Princeton: Princeton University Press, 1997), 8.

[11] For citations to such arguments, see Richard J. Evans, *Rethinking German History* (London: Unwin Hyman, 1987), 50 n. 4. Even quite sophisticated observers have been partial to such explanations. Late in his life, for example, A. J. P. Taylor remarked that "for years after the Second World War I continued to believe that there would be another German bid for European supremacy and that we must take precautions against it. Events have proved me totally wrong. I tried to learn lessons from history, which is always a mistake. The Germans have changed their national character." Taylor, "London Diary," *New Statesman* (June 4, 1976), quoted in Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979), 187 fn.

[12] Leopold von Ranke, "A Dialogue on Politics," reprinted in Theodore H. von Laue, *Leopold Ranke: The Formative Years* (Princeton: Princeton University Press, 1950), 152–80, esp. 167–68; Otto Hintze, "Military Organization and the Organization of the State," in Felix Gilbert, ed., *The Historical Essays of Otto Hintze* (New York: Oxford University Press, 1975), 183 (Hintze, however, gave up this perspective after 1918); A. J. P. Taylor, *The Origins of the Second World War* (London: Atheneum, 1961); and D. P. Calleo, *The German Problem Reconsidered* (New York: Cambridge University Press, 1978). A more subtle and sophisticated variant of this perspective is Brian Downing, *The Military Revolution and Political Change: Origins of Democracy and Autocracy in Early Modern Europe* (Princeton: Princeton University Press, 1992). For a general argument about how systemic pressures can shape domestic institutions and policy, see Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization* 32 (Autumn 1978); for a review of the "second image reversed" literature on the German case, see George Iggers, *The German Conception of History* (Middletown, Conn.: Wesleyan University Press, 1983).

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Many scholars, however, favored a sophisticated structural determinism that located the problem in an alleged disjuncture between Germany's economic and political development. According to this view, Germany had managed to develop an advanced, dynamic economy while retaining an authoritarian political system and a backward social structure. Having undergone a capitalist revolution but not a political or social one, it swerved onto a special path, or *Sonderweg,* that led to its collapse into barbarism during the 1930s. "There can be no . . . doubt that Germany's deviation from the secular and normative process of democratization," wrote Heinrich August Winkler, "is at the bottom of the catastrophes of the 20th century."[13] Germany's "partial or unsuccessful modernization," according to Ralf Dahrendorf, placed it on a "fascist track" to modernity.[14]

But the *Sonderweg* thesis came under attack in the 1980s, particularly in the writings of David Blackbourn and Geoff Eley, who argued that Germany's development had not been as perverted or illiberal as the regnant historical theories suggested.[15] They suggested that analyses

Andrew Janos has suggested another way in which the international system and military competition in particular affected German political development. Janos argues that Germany faced a choice between competing economically or militarily with rival states and chose the latter largely because it would have fewer social and political consequences. This argument is somewhat similar to those that will be discussed later in the article regarding the intentionality of the First World War. Janos, "The Rise and Fall of Militarized Societies: Germany and Russia as Great Powers, 1890–1990," *German Politics and Society* 14 (Spring 1996); and idem, "Paradigms Revisited: Productionism, Globality, and Postmodernity in Comparative Politics," *World Politics* 50 (October 1997).

[13] Winkler, "Bürgerliche Emanzipation und nationale Einigung," in H. Böhme, ed., *Probleme der Reichsgründungszeit, 1848–1879* (Berlin: Kiepenheuer und Witsch 1968), 237. See also Margaret Anderson, *Practicing Democracy: Elections and Political Culture in Imperial Germany* (Princeton: Princeton University Press, 2000), 8.

[14] Dahrendorf, *Society and Democracy in Germany* (Garden City, N.Y.: Doubleday, 1969). The "bourgeois revolution" approach probably began with Karl Marx; see, for example, Marx, "The Bourgeoisie and the Counter-Revolution," *Neue Rheinische Zeitung,* December 14, 1848, in Karl Marx, *The Revolutions of 1848* (London: Harmondsworth, 1973); and idem, "A Radical German Revolution," in "Toward the Critique of Hegel's Philosophy of Law: Introduction," *Deutsch-Französische Jahrbucher* (1844), reprinted in Saul K. Padover, *Karl Marx on Revolution* (New York: McGraw-Hill, 1971), 422–26. References to works in this genre will be sprinkled throughout the article, but some well-known statements include Fritz Fischer, *From Kaiserreich to Third Reich* (Boston: Allen and Unwin, 1986); Talcott Parsons, "Democracy and Social Structure in Pre-Nazi Germany," in Parsons, *Essays in Sociological Theory* (Glencoe, Ill.: Free Press, 1954); and Taylor, *The Course of German History* (New York: Capricorn Books, 1962). A nuanced discussion of this type of argument is Thomas Nipperdey, "1933 und die Kontinutät der deutschen Geschichte," in Nipperdey, *Nachdenken über die deutsche Geschichte* (Munich: C. H.Beck, 1986). For good overviews of this literature, see Richard Evans, "The Myth of Germany's Missing Revolution," in Evans (fn. 11); Gordon Martel, ed., *Modern Germany Reconsidered* (New York: Routledge, 1992), chaps. 1–3; and Geoff Eley, *From Unification to Nazism* (Boston: Allen and Unwin, 1986).

[15] Blackbourn and Eley, *The Peculiarities of German History* (New York: Oxford University Press, 1984). See also Eley (fn. 14); Evans (fn. 11); Robert G. Moeller, "The Kaiserreich Recast?" *Journal of Social History* 17 (Summer 1984); Roger Fletcher, "Recent Developments in German Historiography," *German Studies Review* 7 (October 1984). My concentration on Blackbourn and Eley is not meant to suggest that they were the only scholars questioning the *Sonderweg* thesis but only that they were

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of Germany had been distorted by comparisions with idealized versions of English and French history. Not only had political development in these countries been much more contested and difficult and much less dependent on conscious "bourgeois revolutions" than many previous scholars had recognized, but the German bourgeoisie had in fact managed to achieve a number of important victories in the late nineteenth and early twentieth centuries. Blackbourn and Eley's revisionist work catalyzed a younger generation of German historians to reexamine not only the national politics of the Second Reich but also local politics and social phenomena. From this research, in turn, has emerged a different and more complex picture of Imperial Germany. But because historians tend to shy away from cross-regional and intertemporal comparisions, they have not seen the full implications of this new work. If we integrate recent research on the imperial era with the contemporary political science literature on political development, however, our understanding of the German case changes dramatically. No longer can the imperial era be seen as merely a footnote to centuries past or a prelude to a preordained fascist outcome. Instead, we find that Germany during this period resembles nothing so much as one of today's rapidly developing countries, experiencing industrialization and increasing mass political participation, led by authoritarian elites uncertain whether to repress, adapt, or pass from the scene. Indeed, this new picture of Imperial Germany provides us with a critical case study of just how economic and political variables are connected on the ground.

The Imperial Constitution

When the German empire emerged in 1871 out of a series of wars of unification, it faced a number of political problems, including the fact that significant groups within the Kaiserreich were less than fully content with the outcome. Many Catholics, for example, would have preferred a unified Germany that included Austria, while many Poles, Danes, and Alsatians retained strong ties to their home countries. Furthermore, several German states were suspicious of Prussia and its centralizing ambitions. Like many developing countries today, therefore, the new entity had to integrate somewhat restive and disgruntled groups into a single political unit.

particularly influential, especially among English speakers. See also Nipperdey (fn. 14, *Nachdenken*); and idem, "Wehler's Kaiserreich," in Nipperdey, *Gesellschaft, Kultur, Theorie* (Göttingen: Vandenhoeck and Ruprecht, 1976).

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The brunt of the task fell primarily on the country's powerful chancellor, Otto von Bismarck. In addition to appeasing groups suspicious of the center, Bismarck recognized that he had to provide some avenues for popular participation while simultaneously placating conservative elites who wanted to hold on to their prerogatives. He therefore constructed a delicately balanced constitution, blending monarchical, democratic, and federal elements. Scholars have long debated the significance of this constitution for German political development. Some argue that the political system created in 1871 was "an autocratic semi-absolutist sham constitutionalism" that sustained a traditional absolutist regime hidden behind a more liberal facade.[16] Others contend that Bismarck "made Germany a constitutional country. Not only was the franchise the widest in Europe, with the only effective secret ballot. The parliament [also] possessed every essential function. It was the seat of power."[17] Although both assessments capture important aspects of the German political system, they oversimplify its nature and implications. Perhaps Carl Schmitt captured its essence best in describing the new constitution as a "dilatory compromise between monarchism and parliamentarism."[18] Today we might characterize the system as "soft authoritarian," since it featured a mixture of an insulated executive, limited popular participation, and an economic model that allowed for a strong state. Because the Bismarckian system provided the context within which German political development unfolded, it is worth sketching out its most important features.

Imperial Germany was composed of twenty-five states of varying sizes and political leanings that were represented at the national level in the Bundesrat. Many matters affecting the everyday lives of German citizens—including education, police, and health—were left to state and local governments. Perhaps the most important power reserved for the states (at least originally) was the right to levy direct taxes. The national government relied on tariffs, fees from postal and telegraph services, and whatever indirect taxes on consumption could be agreed upon by the legislature. As we will see, this limited the ability of the national government to grow and perform the functions associated with a powerful industrialized nation and became an important source of political and social conflict in the early twentieth century.

[16] Hans-Ulrich Wehler, *The German Empire, 1871–1918* (New York: Berg Publishers, 1985), 55.
[17] A. J. P. Taylor, *Bismarck: The Man and the Statesman* (New York: Vintage Books, 1955), 98.
[18] Schmitt, *Staatsgefüge und Zusammenbruch des Zweiten Reiches* (1934), quoted in Dieter Grosser, *Vom monarchischen Konstitutionalismus zur parlamentarischen Demokratie* (The Hague: Martinus Nijhoff, 1970), 3.

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At the national level the government featured an executive branch (including the kaiser, his chancellor, and their staffs), a federal council composed of delegations from the states (the Bundesrat), and a national parliament (the Reichstag). The kaiser was given sole control over foreign policy. He was the supreme commander of the military and the ultimate war-making authority. His power was enhanced by the fact that he was also the king of Prussia, the largest and most powerful German state. In the domestic sphere, however, executive authority was more circumscribed, since bills required the assent of both the Bundesrat and the Reichstag in order to pass into law. In case of a legislative deadlock, the kaiser could dissolve the Reichstag in hopes of gaining a more compliant majority later on. But he could not dissolve it permanently and was required to set a date for new elections upon its dissolution. The kaiser's influence over the German political system was not direct, moreover, but rather was exerted through a chancellor. The chancellor was ultimately dependent on the kaiser, who could appoint and dismiss him, yet he was rarely a mere puppet and in fact often managed the everyday affairs of state. During Bismarck's twenty-eight-year tenure, for example, he was without question the key figure shaping the country's course both at home and abroad.

Of the two legislative bodies created by the constitution, one had a distinctly conservative tinge and the other was more representative. The upper house, the Bundesrat, was composed of delegations from the states, elected on the basis of local suffrage systems that ranged from relatively liberal in the southern and southwestern states to highly undemocratic in Prussia. Since Prussia controlled seventeen of the Budesrat's fifty-eight votes, the result was that the conservative Prussian elite could essentially block proposed national legislation that ran contrary to its interests.[19] Meanwhile, the lower house, the Reichstag, was elected by universal manhood suffrage and was granted important powers that remained largely unexploited, at least initially. Its assent was required for all legislation (including all budgets, even those for the military), and it could amend, delay, or defeat any bill it disliked. The Reichstag could not select or dismiss the chancellor, but it could force him to explain and justify his policies and actions, criticize him freely, and refuse to cooperate with him. Even Bismarck, a master at manipulating the Reichstag and its parties, soon realized that he could not rule

[19] On Prussia and federalism, see Manfred Rauh, *Föderalismus und Parlamentarismus im Wilhelminischen Reich* (Düsseldorf: Droste, 1973); Elmar M. Hucko, ed., *The Democratic Tradition: Four German Constitutions* (New York: Berg, 1987), 29–30; and Nipperdey, "Der Föderalismus in der deutschen Geschichte," in Nipperdey (fn. 14, *Nachdenken*).

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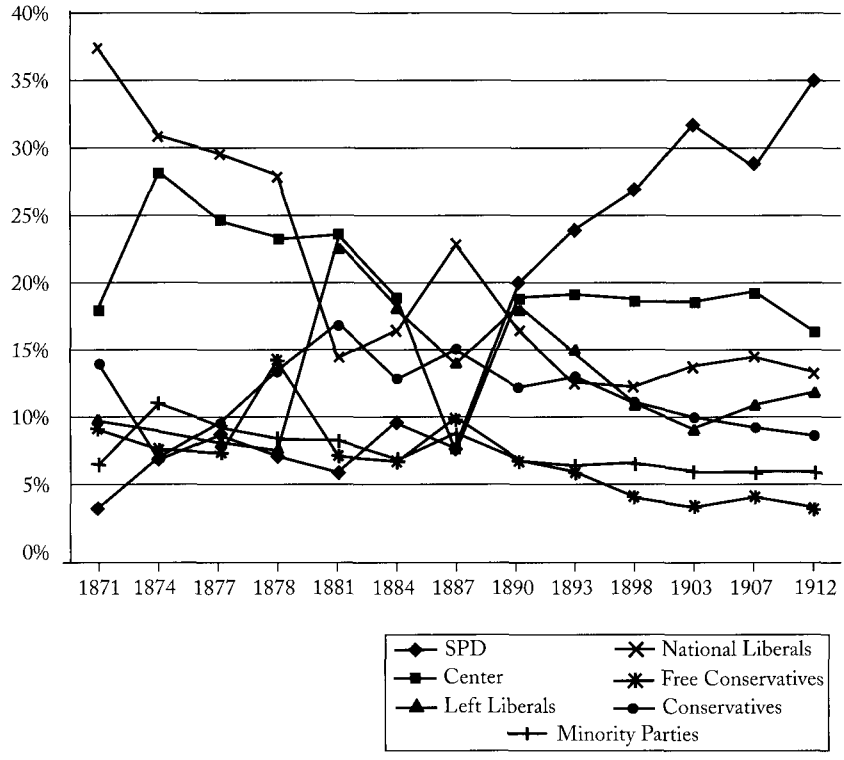

FIGURE 1
REICHSTAG ELECTIONS

without it. During the Iron Chancellor's tenure in office, observers have noted, "almost all the significant pieces of legislation that were enacted . . . [were] modified by varying constellations of votes in Parliament, sometimes to such an extent that the original intentions of Bismarck and his colleagues were no longer recognizable."[20]

Much to Bismarck's chagrin, it was clear almost from the outset that the system he had designed would not work as he had hoped. He had counted on having a free hand politically, thanks to support from a stable conservative coalition built around the Junkers and other sectors of the upper and middle classes; he had also assumed that "nine tenths of the people [would be] loyal to the King" and thus act as a conservative force.[21] Over time, however, both assumptions proved incorrect. The

[20] Wolfgang Mommsen, *Imperial Germany, 1867–1918* (London: Arnold Publishing, 1995), 199; and John Snell, *The Democratic Movement in Germany, 1789–1914* (Chapel Hill: University of North Carolina Press, 1976).

[21] In 1866 Bismarck argued that "in a country with monarchist traditions and a loyal mentality universal suffrage, by removing the influence of the liberal bourgeoisie, will result in monarchical

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TABLE 1
REICHSTAG ELECTION RESULTS[a]
(% OF TOTAL)

	1871	*1874*	*1877*	*1878*	*1881*	*1884*	*1887*	*1890*	*1893*	*1898*	*1903*	*1907*	*1912*
SPD	3.2	6.8	9.1	7.5	6.1	9.7	7.1	19.7	23.3	27.1	31.7	28.9	35
Center	18.6	27.8	24.8	23.1	23.2	22.6	7.1	18.6	19.0	18.8	18.8	19.4	16.4
Left Liberals	9.3	9.0	8.5	7.8	23.1	19.3	14.1	18	14.8	11.1	9.2	11	12.3
National Liberals	37.2	30.7	29.7	28.5	14.6	17.6	22.3	16.3	13	12.5	13.9	14.5	13.6
Free Conservatives	8.9	7.2	8	13.6	7.4	6.8	9.8	6.7	5.7	4.4	3.5	4.2	3
Conservatives	14.1	6.9	9.7	13	16.3	15.2	15.2	12.4	13.5	11.1	9.9	9.4	9.2
Minority Parties	6.6	10.5	9.6	8.7	8.3	8.5	7.6	6.6	6	6	5.8	5.8	5.8

[a]Numbers do not add up to 100 due to small splinter parties.

growing working class increasingly threw its support to the social democrats (SPD), while economic development began to drive a wedge between business and agricultural interests and hence between liberals and conservatives. Bismarck therefore had to resort to various ploys to hold a progovernment alliance together.

He first launched a *Kulturkampf* against "enemies of the Reich," groups against which a conservative coalition could be mobilized. But discriminatory legislation and practices against socialists and Catholics (as well as against smaller groups such as Jews and Poles) did not achieve the intended results. The SPD in particular emerged from the antisocialist laws stronger than before. Government repression meant that "the workers had more reason than ever to view the socialists as their true defenders,"[22] and between the 1887 and 1890 elections the party's share of the vote almost tripled (see Figure 1 and Table 1). Repression also forced a number of critical changes in the Catholic Zentrum. As Catholics recognized their vulnerability, they increased their rates of political participation and activity and strengthened and modernized the Zentrum's organizational infrastructure. Furthermore, attacks on Catholics pushed the Zentrum into defending voting, the

elections, just as anarchism is the outcome of elections in countries where the masses harbour revolutionary sentiments. However, in Prussia, nine-tenths of the people are loyal to the King; it is only through the artifical mechanism of a [restricted] suffrage that they are being prevented from expressing their opinions." Quoted in Hucko (fn. 19), 33–34. See also Klaus Erich Pollman, *Parlamentarismus in Norddeutschen Bund, 1867–1870* (Düsseldorf: Droste, 1985).

[22] Vernon Lidtke, *The Outlawed Party: Social Democracy in Germany, 1878–1890* (Princeton: Princeton University Press, 1966), 81.

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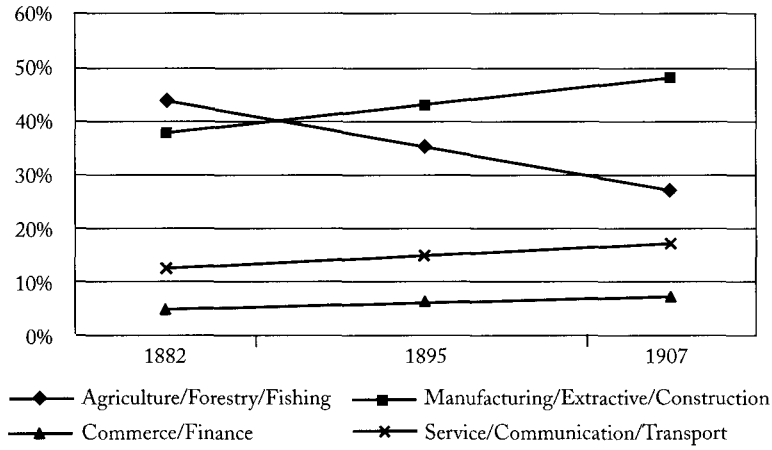

FIGURE 2
SHARE OF EMPLOYMENT BY SECTOR

"common man," and parliamentary principles. "In defending [themselves] against the charges of clerical influence, the Zentrum's deputies found themselves pushed into a championship of the ordinary voter and his franchise." The Zentrum began to emphasize "'the people,' a Volk . . . whose homespun virtues . . . qualified them for the responsibility of the franchise."[23] Hence, both the antisocialist laws and the *Kulturkampf* ended up strengthening rather than weakening the very forces that Bismarck had viewed as threats to his system.

A second ploy was Bismarck's (in)famous policy of "iron and rye," his attempt to lock in a coalition between the Junker elite and segments of heavy industry by providing protective tariffs for each. Yet this policy too was not entirely successful over the long term, since the inexorable realities of economic development gradually undermined its logic. By the end of the nineteenth century it was becoming increasingly clear that agriculture's share of the German economy was in secular decline whereas the industrial, commercial, and service sectors were growing steadily. Not surprisingly, the latter grew increasingly frustrated at having to endure sacrifices in order to protect the Junkers' economic and political prerogatives. (See Figure 2.)

[23] Anderson (fn. 13), 86. See also idem, "Piety and Politics: Recent Work on German Catholics," *Journal of Modern History* 63 (December 1991); idem, *Windthorst: A Political Biography* (New York: Oxford University Press, 1981); Ronald Ross, "Enforcing the Kulturkampf in the Bismarckian State and the Limits of Coercion in Imperial Germany," *Journal of Modern History* 56 (September 1984); and Jonathan Sperber, *Popular Catholicism in Nineteenth Century Germany* (Princeton: Princeton University Press, 1984).

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One way out of the political impasse would have been for Bismarck to pull off what today would be called an "autogolpe" (*Staatsstreich,* in the German parlance)—using his powers and the support of the army to revise the constitution and strengthen the chancellorship while eviscerating the Reichstag. He toyed with the idea but ultimately rejected it.[24] Another way out would have been to allow Germany's rising middle and perhaps even working classes a greater say in the system, accepting a shift in power toward the Reichstag and gradual parliamentarization.[25] This would have required, however, not only the emergence of a powerful and stable coalition pressing for such changes but also the defeat or acquiescence of conservative elites. As neither occurred, the regime stumbled on unchanged. But in the years after Bismarck's 1890 dismissal, Germany's continued socioeconomic development helped push the political system ever closer to its breaking point.

Elections and Parties in Imperial Germany

National elections were a key indicator of the political participation that economic development helped produce. Indeed, with regard to elections alone, Germany was more advanced than either England or the United States at the time[26]—though the fact that Imperial Germany had universal male suffrage and relatively free and fair elections still comes as a surprise to many. The difference between Germany and the Anglo-Saxon countries came not in the elections themselves but in the mechanisms that effectively insulated the German government from the results of those elections. In retrospect, the extent to which Germans voted seems remarkable. (See Figure 3.) As one scholar notes, "It was an extraordinary feat, but Wilhelmine Germany was on its way to making nonvoting unusual. In 1871, 52 percent of those eligible

[24] For cites on Bismarck's calculations, see Anderson (fn. 13), 246 n. 22; but see also Michael Stürmer, ed., *Bismarck und die preussisch-deutsche Politik, 1871–1890* (Munich: Deutscher Taschenbuch, 1970); and idem, "Staatsstreichgedanken im Bismarckreich," *Historische Zeitschrift* 209 (December 1969).

[25] On the troubles of the Bismarckian system and the debate over different political options, see John Breuilly, *Labour and Liberalism in Nineteenth Century Europe* (Manchester: Manchester University Press, 1992); Geoff Eley, *Reshaping the German Right* (Ann Arbor: University of Michigan Press, 1991); Volker Berghahn, *Imperial Germany, 1871–1914* (Oxford: Berghahn Books, 1994); J. C. G. Rohl, *Germany without Bismarck* (Berkeley: University of California Press, 1967); Mommsen (fn. 20); Snell (fn. 20); Rauh (fn. 19).

[26] In England property restrictions disenfranchised at least one-third of all male voters, while in the United States voluntary registration lowered turnout and most African Americans were effectively barred from meaningful political participation. For a discussion of voting requirements in Germany and comparisons with other countries, see Stanley Suval, *Electoral Politics in Wilhelmine Germany* (Chapel Hill: University of North Carolina Press, 1985); and Jonathan Sperber, *The Kaiser's Voters* (New York: Cambridge University Press, 1997).

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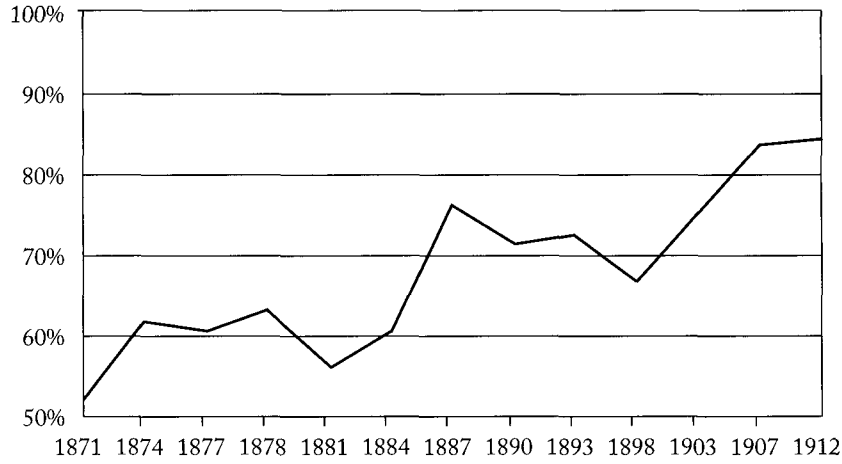

FIGURE 3
TURNOUT IN REICHSTAG ELECTIONS

voted. In both 1907 and 1912, the last two imperial elections, the figure was about 85 percent." Furthermore,

> massive turnouts substantially reduced, if not eliminated the different rates of voting due to class, status, occupation, urbanization and region or residence. Moreover, the higher turnout rates were matched by corresponding rises in the more intensive forms of participation that required a greater expenditure of time, money and energy. There was a substantial increase in the membership of political and parapolitical organizations, in the distribution of printed campaign materials, in campaign activities of all kinds, including rallies and personal solicitations, in the numbers of party workers active on election day, and in the amounts of individual contributions to parties and candidates.[27]

Other indicators of political participation, including membership in political parties and civil society organizations, also rose to very high levels. Some scholars discount Imperial Germany's high rates of voting since the fate of the chancellor was not directly dependent upon it.[28] Yet if elections had truly been seen as meaningless, then German citizens would not have bothered to participate in such droves. And if governments could ignore popular will with impunity, they would hardly have spent increasing time and effort trying to influence the outcome of the voting.

> [The] increasing involvement of governments manifested itself in the choosing of candidates, the distribution of campaign funds and propaganda materials. Yet

[27] Suval (fn. 26), 21, 17.
[28] Dahrendorf (fn. 14); and Wehler (fn. 16).

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the government also remained the chief protection for the freedom of the vote and the ability to campaign. In that curious Wilhelmine mix, voting was one of the most sheltered areas in the *Rechtsstaat,* where laws took precedence over the whims of man. Even at the height of the anti-Socialist policies between 1878 and 1890, socialist candidates were allowed to campaign relatively freely. After 1890, the government routinely protected freedom of speech during elections and effectively supervised a permanent registration system and an honest count.[29]

By the last decade of the century Bismarck had been dismissed, the antisocialist laws and the *Kulturkampf* were history, and political participation was growing and expanding into new areas. Campaigns and elections also contributed to a growing "nationalization" of the German electorate: many political parties developed national-level organizations, support for separatist parties representing national minorities began to drop as their constituents moved into more mainstream parties, and voters began to shift from voting on the basis of region, ethnicity, and even to some extent religion (still Germany's most powerful electoral cleavage) toward voting based on socioeconomic conflicts[30]—a pattern characteristic of many other developing, industrializing societies.[31] In general, particularism and regionalism decreased and national-level government and institutions increased in importance during the late nineteenth and early twentieth centuries.[32]

During this period, furthermore, the Germany party system underwent profound changes, as the more modern Catholic and socialist parties gained ground at the expense of their liberal and conservative rivals. As the SPD was permitted to compete more freely, its impressive organization combined with the growth in its natural constituency produced by Germany's continued economic development improved its fortunes throughout the imperial era; indeed with only one exception its share of the vote increased in every German election between 1890 and 1912. (See Figure 1 and Table 1.) Taking a page from the SPD, meanwhile, during the 1890s the Zentrum began to spin off a wide range of ancillary organizations designed to "immunise Catholics

[29] Suval (fn. 26), 11.

[30] Brett Fairbairn, "Interpreting Wilhelmine Elections: National Issues, Fairness Issues, and Electoral Moblization," in Larry Eugene Jones and James Retallack, *Elections, Mass Politics and Social Change in Modern Germany* (New York: Cambridge University Press, 1992), 25; David Blackbourn, *Class, Religion and Local Politics in Wilhelmine Germany* (New Haven: Yale University Press, 1980), esp. 9ff.; Brett Fairbairn, *Democracy in the Undemocratic State: The German Reichstag Elections of 1898 and 1903* (Toronto: University of Toronto Press, 1997); Sperber (fn. 26), esp. 76ff.; and Suval (fn. 26).

[31] See, for example, the classic article by Seymour Martin Lipset and Stein Rokkan, "Cleavage Structures, Party Systems, and Voter Alignments," in Lipset and Rokkan, eds., *Party Systems and Voter Alignments* (New York: Free Press, 1967).

[32] Nipperdey (fn. 19).

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against 'materialism' in general and the blandishments of proletarian, petty-bourgeois and agrarian 'sectional' interests in particular. This institutional and organizational density, in fact, became a hallmark of the Zentrum as much as of the SPD."[33] In addition, the party leadership began to change, as some of the clergy and old notables were gradually pushed aside in order to make room for a more secular and professional leadership.[34] This was in keeping with a general trend, particularly evident within the SPD and Zentrum, toward a professionalization of the political class. Over time more and more M.P.s became full-time politicians, which served to increase their attachment to parliament and suffrage. One manifestation of this was the SPD's and Zentrum's consistent defense of parliamentary and electoral procedures.

While the SPD and Zentrum were thriving, Germany's liberal and conservative parties were floundering. As one scholar notes, "The 1890s were a disaster for the liberal parties, when their support among eligible voters declined to one-third below the level of 1887."[35] The liberal parties were losing their hold over their natural constituency, the Protestant middle classes, while the conservatives had trouble attracting new voters—at least partially because economic development was sending rural labor fleeing to the cities for better-paying jobs and eroding the relative power and import of the Junkers in the German economy. Development also helped to erode the everyday political power of the Junkers and other elites, while urbanization and increasing labor mobility allowed workers to gradually escape the political and social pressure that their "superiors" had long exerted over them.[36] (See Figure 4).

Perhaps even more important, however, was the difficulty the liberal and conservative parties had in adjusting to the age of modern mass politics. For the most part their internal organizations remained underdeveloped, their permanent political staff sparse, and their planning for modern electoral campaigns rudimentary. Not surprisingly, therefore, these parties lost voters to their better institutionalized, more modern counterparts, as well as to the rapidly growing parapolitical and civil society spheres. Indeed, it was precisely the failure of liberal and conservative parties to attract and hold on to the middle classes and peasantry that helped fuel the

[33] Blackbourn (fn. 30), 12.

[34] Margaret Lavinia Anderson, "The Kulturkampf and the Course of German History," *Central European History* 19 (March 1986); and idem (fn. 13), chap. 5.

[35] Sperber (fn. 26), 123. See also James Sheehan, *German Liberalism in the Nineteenth Century* (Chicago: University of Chicago Press, 1978).

[36] Estimates of the German unemployment rate at the turn of the century are as low as 2.7 percent and wages were also creeping up during this era. Such figures show just how tight the labor market was, giving German workers some flexibility.

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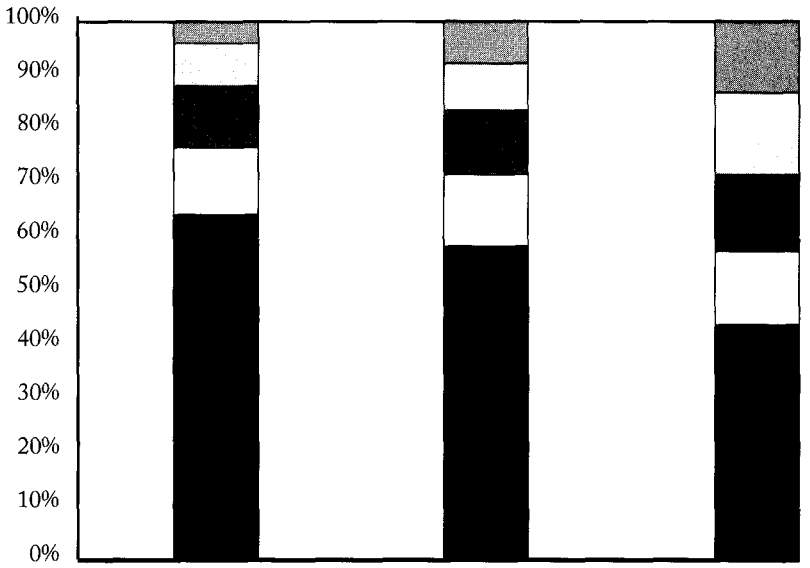

	1871	1880	1910
>100,000	4.80%	7.20%	12.30%
20,000–100,000	7.70%	8.90%	13.40%
5,000–20,000	11.20%	12.60%	14.10%
2,000–5,000	12.40%	12.70%	11.20%
≤2,000	63.90%	58.60%	40.00%

FIGURE 4
POPULATION OF COMMUNITIES BY SIZE

rapid growth of bourgeois, right-wing, and nationalist associations in Germany during the late nineteenth and early twentieth centuries.[37]

As a result of these trends, the Bismarckian bloc in the Reichstag suffered a relentless erosion. By the end of the nineteenth century the conservative parties (Free Conservatives and Conservatives) and the National Liberals could no longer command a national majority: their share of seats in the Reichstag peaked at 34 percent in 1890 and declined steadily thereafter. This meant that the government needed a new partner in order to pass its bills. It considered both the SPD and the Left Liberals unacceptable, because both would demand significant changes in the existing system. This left the Zentrum the only remaining major party, and so the Catholic party was duly integrated, albeit

[37] Among the best discussions of this development is Eley (fn. 25). For an analysis of the implications of this phenomenon, see Sheri Berman, "Civil Society and the Collapse of the Weimar Republic," *World Politics* 49 (April 1997).

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somewhat uneasily, into a new governing bloc[38]—a sign of how far Germany had come since the days of the *Kulturkampf* (and of how the government's pragmatism now trumped its prejudices).

To address its vulnerability within the Reichstag and among the public at large, the government also turned to a strategy of *Sammlungspolitik*, the "politics of rallying together," that emphasized nationalist and social imperialist themes. This approach, though partly successful for a while, ultimately proved no cure for the system's structural problems. Electoral studies, for example, reveal that "German voters were not aroused by social-imperialist nationalism. . . . The parties they supported were the anti-militarist SPD and the sometimes-populist Catholic Center party, which posed as an honest broker and a moderator of government policies."[39] Paying for rising military expenditures in particular created difficulties for the government, because only the National Liberals unequivocally supported them. The parties of the left vigorously opposed increased spending on the army and navy, and even the Zentrum

> took pains to show itself, not as the party instrumental in improving the fleet, but rather as the party that had forced the government to scale down its excessive projects. As the national election platform put it, the Center stood for "prudent thrift in all areas of the Reich budget, particularly with the army and navy." . . . The "important principle" in relation to the fleet was that new taxes not rest "on the consumption of the broad masses . . . on the shoulders of the weak."[40]

In fact, even conservatives were hesitant on this issue since they feared, correctly, that any increases in government spending would raise questions about taxation and the financial prerogatives they enjoyed under the current system.

By the 1890s, therefore, the situation facing the government and the ruling elite was growing increasingly problematic. The "outsider" parties—the SPD and the Zentrum—had become modern and highly institutionalized, with impressive voter and membership bases. The traditional government parties, by contrast—the conservatives and National Liberals—were in decline, having proved unwilling or unable to adjust their organizations and messages to meet the demands of a new era. Furthermore, Germany's citizens were becoming more active and better informed, while many of the government's policies—in particu-

[38] On conflicts within this new progovernment bloc, see Snell (fn. 20), esp. 173ff.; and Fairbairn (fn. 30, 1997), 62.

[39] Fairbairn (fn. 30, 1997), xi; Fairbairn (fn. 30, 1992). But see also Hans-Ulrich Wehler, *Bismarck und der Imperialismus* (Berlin: Kipenheuer und Witch, 1969).

[40] Fairbairn (fn. 30, 1997), 62; and Margaret Lavinia Anderson, "Voter, Junker, Landrat, Priest: The Old Authorities and the New Franchise in Imperial Germany," *American Historical Review* 98 (December 1993).

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lar, rising military expenditures and the budgetary strains they were helping to create—were deepening societal divisions and making the country more difficult to govern.

The Stalemate of the German Political System

Over the course of the last decade of the nineteenth century and the first decade of the twentieth, tensions within the German political system were growing as labor conflict increased and conservatives feared the worst. Rather than pushing political development backward, however, these tensions propelled it forward. As rumors of a possible *Staatsstreich* spread during the 1890s, important segments of the middle classes rallied against regressive constitutional revisions in general and further antisocialist legislation in particular. In 1895 a sedition bill (*Umsturzvorlage*) that would have made it possible to prosecute those hostile to the existing order was squashed, as was a "Little Socialist Law" in 1897. The government refrained from embarking on a *Staatsstreich*, however, because

> the adventurism and illegality implied in such plans were abhorrent to all those who conceived of themselves as sensible men. Here is the reaction of the Prussian cabinet, reported by General von Waldersee, a principal figure in the intrigues, when William II opened his mind to them about a possible *Staatsstreich:* "You should have just seen the faces of the gentlemen: I thought they would sink to the earth." No clear-headed, responsible minister, however dissatisfied with the existing state of affairs, could have been pleased at the idea of discarding legal procedures and turning decision-making powers over to a cabal beholden only to "William the Sudden." Energetic opposition was also expressed by the governments of the federated states, whose cooperation would have been essential for any such venture. Even the Conservative deputies, when sounded out, opposed a departure from constitutional paths.[41]

Instead of a crackdown, a number of reforms championed by the social democrats and the Zentrum were passed. These reforms protecting the secrecy of the ballot and the sanctity of elections, along with the increasing mobilization of voters—particularly those cool to the government—forced the chancellor to campaign actively to try to win over public opinion. This represented, it has been noted, "a giant step toward legitimizing the breakdown of that constitutional dualism that had isolated the executive from the consequences of elections and that kept the Reichstag sealed as a conduit to executive power."[42]

[41] Anderson (fn. 13), 247–48.
[42] Ibid., 256–57.

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Wilhelm II's erratic and irresponsible behavior during these years raised questions about the viability of personalistic rule in a modern state. In 1897 the editor of the Catholic *Kolnische Volkszeitung* had argued in vain that "everyone now realizes that the Kaiser's personality and intervention lie at the root of our present crisis. . . . Someone in the Reichstag should say very plainly indeed how perturbed the people are at this excess of imperial initiative; how urgently they desire that the monarch take more notice of the *realities of political life* and especially of the intelligence of the people."[43] By the 1908 *Daily Telegraph* affair, however, Wilhelm's foibles could no longer be brushed aside. When his off-the-cuff remarks on foreign policy caused a full-fledged domestic crisis and strong Reichstag condemnation, even Chancellor Bülow had to insist that he refrain from further pronouncements, and Wilhelm had to release a statement saying that in the future he would "ensure the stability of Imperial policy by respecting his constitutional obligations."[44]

The next year a budget crisis exposed other weaknesses in the system. With the growth of the national government and especially military spending, the Reich increasingly found itself short of funds.[45] (As noted above, the national government originally had limited means of raising revenue.) To raise some money, therefore, in 1909 Chancellor Bernhard von Bülow proposed a substantial tax increase, including the introduction of an inheritance tax. Conservatives firmly rejected such an idea: with a democratically elected Reichstag, they argued, the move would be a slippery slope threatening all private property. They were also opposed to direct taxation in general, since they feared that a shift away from indirect taxes (hitherto the norm for the national government) would increase pressures for more popular say in policy-making. Defying the government's wishes and their liberal allies, therefore, the conservatives refused to support the bill and joined with the Zentrum to put forward alternative legislation based on indirect taxes on mass-consumption items and business-related expenses—which of course only emphasized the divergence of interests between conservatives and middle- and working-class groups.

> The Conservatives claimed that the taxes they passed against Bülow's wishes were fair and provided the necessary added revenue. The liberals claimed with

[43] Quoted in J. C. G. Röhl, *Germany without Bismarck* (Berkeley: University of California Press, 1967), 216.

[44] Arthur Rosenberg, *Imperial Germany: The Birth of the German Republic, 1871–1918* (Boston: Beacon Press, 1964), 52–53.

[45] On the increasing role of the national government, see Nipperdey, *Deutsche Geschichte, 1866–1918*, vol. 2 (Munich: Beck, 1992), sec. 4.

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more justification that the Conservatives had refused any significant self-sacrifice for the national good because they had defeated an inheritance tax on estates; instead, the Junkers had placed the increased fiscal burden of indirect taxation on the shoulders of less prosperous consumers. Thus the finance reform of 1909 came to symbolize the refusal of Germany's aristocracy to recognize and accept the consequences of economic decline.[46]

With his tax plan rejected, Bülow resigned and was replaced by Theobald von Bethmann-Hollweg. Reflecting upon the unfolding events, the Bavarian ambassador Lerchenfeld wrote: "I am witnessing my fourth chancellor crisis. . . . Three crises came from above, this one from below. We have come one step closer to a parliamentary regime in Germany."[47]

A step, to be sure, but only one. It was still the kaiser and his advisers, and not the Reichstag parties, who chose the new chancellor. Nonetheless, the tax crisis seemed to augur an important political realignment. The National Liberals found themselves estranged from their erstwhile conservative allies and increasingly aware that the interests of agrarian and industrial groups were becoming ever more difficult to reconcile. They were also forced to recognize that they had at least some important overlapping interests with the Progressive People's Party (essentially the old left liberals) and the SPD. This, in turn, raised the specter of the conservatives' and government's worst nightmare: the feared "Grand Bloc," a majority coalition that would stretch from the SPD on the left to the National Liberals on the center right.[48]

Desperately seeking to avoid pushing the Grand Bloc parties closer together, Bethmann-Hollweg sought conservative acceptance of some direct taxation while simultaneously trying to placate the left with some social legislation and political reform. But the conservatives remained intransigent, refusing to budge on taxation and also rejecting the chan-

[46] James Retallack, "The Road to Philippi," in Larry Eugene Jones and James Retallack, *Between Reform, Reaction and Resistance: Studies in the History of German Conservatism from 1789 to 1945* (Providence, R.I.: Berg, 1993). On the finance contoversy more generally, see P.-C. Witt, *Die Finanzpolitik des deutschen Reiches von 1903 bis 1913* (Hamburg: Matthiesen, 1970); Katharine Lerman, *The Chancellor as Courtier: Bernhard von Bülow and the Governance of Germany, 1900–1909* (New York: Cambridge University Press, 1990); Sperber (fn. 26), 255ff.; Snell (fn. 20), 350ff.; Grosser (fn. 18), 8ff.; and Beverly Heckert, *From Basserman to Bebel:The Grand Bloc's Quest for Reform in the Kaiserreich, 1900–1914* (New Haven: Yale University Press, 1974), 79ff.

[47] Quoted in Rauh (fn. 19), 245. Bülow later wrote of this period that he feared that it was "'the starting point of a trend that creates embittered party conflicts, brings forth unnatural party groupings, and is detrimental to the welfare of the nation.' To the Conservatives he declared: 'We will see each other at Philippi.'" Quoted in Retallack (fn. 46), 268.

[48] On the struggle and failure to put together such a coalition, see Heckert (fn. 46). Indeed such coalitions appeared in a number of the more liberal states, further increasing the apprehension of conservatives (and radicals within the SPD).

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cellor's half-hearted attempt to reform the Prussian voting system in a more democratic manner. This in turn led groups on the left, including the SPD, to stage the largest demonstrations for political reform ever seen in Germany.

> Bethmann recognized . . . that the franchise reform debate had widened "the chasm between Conservatives and National Liberals" and driven the latter further to the left. More pointedly he observed that the Conservatives, "with their personal, social, religious, and political hubris and intolerance . . . have succeeded in focusing everyone's disgust and dissatisfaction on the three-class suffrage, which is generally seen as an expression of Junker predominance."[49]

It was against this background of political stalemate and frustration that voters went to the polls in 1912. The elections were a disaster for the government and the conservatives, as the main winners were the parties of the left, particularly the social democrats. In fact, the SPD emerged from the 1912 election as the most popular national party by far, with twice as many votes as its closest competitor.

Breaking down the numbers, the implication of forward-looking voting trends was even more important: the SPD's dominance of urban areas continued to grow (it won over 50 percent of the votes in areas with a population of one hundred thousand or more, to the conservatives' 2.2 percent) and it made some inroads into the Catholic electorate. Furthermore, the SPD ran a pragmatic campaign, focusing on issues with wide appeal, such as the inequities of the government's taxation policies, the need for democratization of the government and army, and social reforms. This pragmatism even carried over into electoral agreements with the Progressives to ensure that their candidates would not run against each other in the second round.[50] By contrast, the National Liberals and conservatives could only look upon the electoral outcome with dismay as their vote totals continued to stagnate and even decline, leaving them wondering how to deal with the rising red tide.

Yet despite the election's clear rejection of the government parties and policies and the emergence of an overwhelming, if latent, antigovernment majority, critical divisions remaining within German society hindered the formation of a progressive coalition capable of devising and pressing for a common reform agenda. The SPD refused to recognize that, as the largest party by far and the one with greatest stake in de-

[49] Retallack (fn. 46), 271.

[50] On the SPD and the 1912 election, see Berman (fn. 5), 128–30. On the election in general, see Jürgen Bertram, *Die Wahlen zum Deutschen Reichstag von Jahre 1912* (Düsseldorf: Droste, 1964). On growing tensions between conservatives and liberals at the regional level, see James Retallack, "'What Is to Be Done?' The Red Specter, Franchise Questions, and the Crisis of Conservative Hegemony in Saxony, 1896–1909," *Central European History* 23 (December 1990).

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mocratization, it would have to moderate its rhetoric and make important tactical concessions in order to be able to lead the charge for parliamentarization and full democratization.[51] The Progressives, despite their alliances with the SPD, remained suspicious of the socialists (and vice versa). The Zentrum, despite an internal realignment that brought working-class leader Matthias Erzberger onto the party's executive committee, could not bring itself to explicitly join with "antireligious" parties of the left. The National Liberals were pulled in two directions by their commitment to increased military spending, on the one hand, and their recognition that the conservatives would not back the fiscal measures necessary to support it, on the other. And the conservatives grew even more intransigent in defeat. This left Bethmann-Hollweg in an extremely difficult position. As Volker Berghahn notes: "After 1912 it was not only the finances of the Reich and the Federal Government that were coming apart at the seams, but the political system in general."[52]

The government's situation continued to worsen throughout 1913. After a dispute broke out between soldiers and civilians in the small Alsatian town of Zabern, the colonel of the local regiment gave orders to confine some of the demonstrators to the barracks for the night. Since the colonel had no jurisdiction over civilians, he was clearly overstepping his authority, and the public was enraged by this arbitrary exercise of power. A storm broke out in the Reichstag, and on December 4, 1913, the overwhelming majority of delegates joined together to pass a vote of no confidence in the government. The chancellor was still formally accountable to the kaiser alone and so had no legal obligation to resign, but the "incident neatly separated those Germans who were inflexibly hostile to any change in the status quo from those who called ever more insistently for fundamental reforms of existing political conditions."[53]

A renewed debate on the army and finance bills only exacerbated the growing tension. Although it was clear that the government's budget targets could not be met by indirect taxation and state contributions alone, the conservatives still bitterly opposed a move to direct taxation. Bethmann came up with a compromise whereby funds would be raised through a onetime "patriotic contribution," but the conservatives balked even at this. Desperate for funding, Bethmann-Hollweg allowed his onetime contribution to be passed against their votes, with support from the Zentrum and even some social democrats. He realized, however, that if allowed to solidify further such an alliance would threaten

[51] For an explanation of why the party failed to make this shift, see Berman (fn. 5), chaps. 4, 6.
[52] Berghahn (fn. 25), 274.
[53] Ibid., 275.

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the structure of the entire political system, and so he never repeated the move and was thus afterward unable to pass any major legislation. Bethmann-Hollweg would later write of this period: "While the storm clouds gathered ever more heavily on the world horizon, an almost inexplicable pressure weighed on the political life of Germany. . . . The word '*Reichsverdrossenheit*' [dissatisfaction with the Reich] rose up out of the darkness."[54]

By 1914, therefore, Germany had clearly reached a critical juncture, quite apart from the start of the war. A soft authoritarian political system designed to safeguard the power of traditional elites simply could no longer be reconciled with the increasing middle- and working-class political participation and the demands generated by economic development. The government was becoming paralyzed and desperate, tensions between agrarian and industrial interests and between conservatives and liberals were exacerbated, popular frustration and extraparliamentary mobilization was on the rise, and the SPD—the party most opposed to the existing system—sailed from triumph to triumph. National leaders faced the same basic options as they had a generation earlier, but it was becoming increasingly difficult to put off choosing between them. On the one hand, they could opt for repression, trying to unilaterally revise the constitution with the support of the military.[55] On the other, they could slowly pull back from the conservatives and permit gradual political reforms that would eventually lead to full parliamentarization and democratization.

We will never know which of these two options would actually have prevailed, since the war intervened and stopped German political development in its tracks. Indeed, many have argued that this was exactly its intended purpose: that plunging Germany into a military conflict represented less an inevitable response to a threatening international system than a third option designed to divert the public and forestall impending domestic political change.[56]

[54] Theobald von Bethmann-Hollweg, *Betrachtungen zum Weltkrieg*, vol. 1 (Berlin: R. Hubbing, 1919–21).

[55] V. R. Berghahn, *Germany and the Approach of War in 1914* (New York: St. Martin's Press, 1973), esp. 22ff. and 162ff.

[56] Among the most influential examples of such argumentation are Fritz Fischer, *Germany's Aims in the First World War* (New York: W. W. Norton, 1967); idem, *War of Illusions* (New York: W. W. Norton, 1975); Eckert Kehr, *Battleship Building and Party Politics in Germany, 1894–1901* (Chicago: University of Chicago Press, 1983); Gordon Craig, ed., , *Economic Interest, Militarism and Foreign Policy* (Berkeley: University of California Press, 1977); and Wehler (fn. 16). On the controversy over this thesis, see John A. Moses, *The Politics of Illusion* (London: George Prior, 1975).

For a somewhat different perspective on the endogeneity and inevitably of the war, see Janos (fn. 12, 1996).

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Conclusions

A reexamination of the imperial era that combines the insights of both historians and comparative political scientists has much to offer. For historians, perhaps the most striking finding is how familiar Germany's political system and development now looks. For example, from a comparative perspective the notion that Imperial Germany was unusually repressive and autocratic is problematic. Particularly when compared with various modern regimes, Germany's authoritarianism seems soft indeed: elections were reasonably free and fair, voting was widespread, civil society was allowed to develop relatively unhindered, the level of internal political violence was comparatively low, and the rule of law was largely respected. In comparison with third-wave (rather than first-wave) cases, moreover, Imperial Germany's political and social development does not seem particularly backward or even very distinctive either. Many of the social and cultural characteristics of Imperial Germany that historians and social scientists previously identified as abnormal or pathological—a business class dependent on the state, a reactionary elite hell-bent on preserving its economic and political prerogatives, a politically conservative and powerful military, the persistence of predemocratic mentalities, and an anti-Western bias (particularly among elites)—can be found in many developing and even many newly democratic countries in Southeast Asia, Latin America, and East Asia.

Another lesson offered by a reexamination of Imperial Germany's political development is that despite all that has been written about the supposed disjuncture between its economic and political development, the two actually seem to have been linked in relatively typical and predictable ways. Throughout the late nineteenth century economic development gradually eroded the power of landowning elites (the main bulwark of the conservative status quo), increased the number and importance of business groups and middle- and working-class groups, and created tensions between the former and the latter—with important consequences for the stability of the political system. Economic development also helped create an increasingly assertive and well-informed population. But not only did Germans become more politically active during the imperial era; they also became less deferential. They began to vote against the government and the traditional ruling parties (the government parties' share of the vote fell from 57 percent in 1871 to 25 percent in 1912) and began to reject old-style elitist structures that provided few outlets for meaningful participation and influence. These are the types of trends that political scientists who study modernization in

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other contexts would expect. Indeed, since the combination of popular participation, limited popular control, and economic modernization is quite common in the contemporary developing world, the consequences of this mixture in the German case—essentially, destabilization of the existing regime—should be of some interest to students of political development more generally.

In addition, new historial research combined with a broad comparative perspective on German political development leads us to question several still widely held views about the imperial era. For example, the image of the "unpolitical" German that has dominated thinking about the imperial era from Thomas Mann onward simply cannot be sustained; as discussed above, if anything, during these years Germans developed many of the habits and mores that are now thought by political scientists to augur healthy political development.[57] As Margaret Anderson has put it, beneath the relatively calm institutional surface of the imperial era Germans were "practicing democracy." Indeed, the case seems to indicate that experience with the procedures and practices of democracy, even within the confines of soft authoritarianism, can over time help generate aspects of a democratic political culture. The German imperial experience now appears, in other words, to support the arguments of those like Dankwart Rustow who argue that democratic cultures are as much as a product of, as a precondition for, democratic institutions and practices.[58]

Furthermore, in light of recent historical and political science research, the *Sonderweg* view of German history looks increasingly problematic. As noted above, during much of the postwar era a view of German political development as being fatally distorted by an alleged disjuncture between economic and political development dominated much of the historical and social scientific literature. Extrapolating back from the collapse of the Weimar Republic and the rise of Nazism and with English, French, and American cases as their (often implicit) referents, students of German history argued that the country had traversed a distinctive and horribly flawed political path that led directly to its collapse into barbarism during the 1930s. Blackbourn and Eley's *Peculiarities of German History* chipped away at many of the long-held

[57] Nipperdey has an interesting analysis of this point, using the work of Heinrich rather than Thomas Mann as his starting point. "War die Wilhelminische Gesellschaft eine Untertanen-Gesellschaft," in Nipperdey (fn. 14, *Nachdenken*).

[58] Rustow, "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics* 2 (April 1970). Anderson (fn. 13), in fact, makes excellent use of the work of Rustow and other comparative political scientists in her analysis of the imperial era.

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tenets of this *Sonderweg* "school," and recent research has revealed a much more dynamic and complex side to the imperial era. But because historians tend to resist broad cross-regional and intertermporal comparisons, the full implications of this research have remained unexplored. However, once the new picture of the imperial era is combined with what we now know about the nature and problems of late-twentieth-century democratizers, many claims of German uniqueness or distinctiveness become very difficult to defend. In fact, to many students of the third wave, the trajectory of pre-1914 Germany probably looks much more familiar than do the paths traversed by the supposedly paradigmatic English, French, and American cases. The insights and research of contemporary political science can therefore offer a counterweight to the overly negative and teleological view of German history presented in much of the earlier literature.

Political scientists also have other reasons for finding the new picture of Imperial Germany interesting. For one thing, the old, distorted picture had been a critical reference point for earlier theoretical discussions—as a powerful example of how a country could undergo impressive economic modernization without experiencing concomitant political and social modernization. But this view is no longer tenable, and in fact the new picture provides strong support for a more moderate version of modernization theory that seems to be gaining acceptance. The case shows that "economic development, cultural change and political change are linked in coherent and even, to some extent, predictable patterns"[59] and that even during an era when democracy was the exception and not the rule, and even in a country with no previous democratic experience, an authoritarian regime will have a great deal of trouble controlling an increasingly prosperous, educated, and well-informed population over the long run.

The case also seems to indicate that the softer an authoritarian system is, the greater the difficulty it might have in maintaining its grip on power, particularly once pressures start to build. Many contemporary authoritarian regimes have left open some avenues of political participation as they seek a veneer of legitimacy and/or to placate public opinion at home or abroad. The case of Imperial Germany shows that citizens, *especially* those in relatively highly developed societies, are likely to exploit such avenues of participation to their fullest and put conservative elites under increasing pressure over time. For example, in Serbia and Iran, Zimbabwe and Peru, even flawed elections have re-

[59] See Inglehart (fn. 10).

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cently allowed rising popular discontent to erode and in some cases topple authoritarian elites.

As with many contemporary transitional countries, however, within Imperial Germany not all trends pointed in a positive direction. At the same time that the public was becoming more demanding and politically active, for example, the government and conservative elites proved unable or unwilling to adjust to changing realities. As a result, the state grew increasingly estranged from ever larger sections of society,[60] while the failure of liberal and conservative parties to adapt to an era of mass politics left much of their potential constituency, particularly rural and middle-class groups, searching for other ways to satisfy their aspirations—which they often found in the growing number of parapolitical and civil society organizations that sprang up to appeal to the disaffected.[61] As Samuel Huntington argued, societies with highly active and mobilized publics that lack strong political institutions to channel and respond to demands often find themselves on a path to instability, disorder, and even violence.[62] In retrospect, it is not surprising that the groups left high and dry by the liberals and conservatives at the turn of the century provided a disproportionate share of the vote for the Nazis a generation later.

It remains true, of course, that even though the Bismarckian coalition ran into problems early on and opposition parties eventually recognized some overlapping interests, full democratization did not occur in Germany before the First World War. The imperial constitution might indeed have been a "dilatory compromise" between the forces of change and reaction, but it lasted almost half a century without its basic contradictions ever being resolved. Another lesson emerging from the German case, therefore, is that although pressures resulting from economic devlopment will increasingly strain authoritarian regimes, full transitions to democracy require both structure *and* agency. In contrast to the picture painted by an earlier generation of scholars, it now seems that the tragic failure of democracy in Germany cannot be reduced to the absence of the "correct" prerequisites. Indeed, as this article has pointed out, economic development did create many of the prerequisites or structural preconditions that are often seen as auguring democratization: conservative elites were weakened; business, middle, and

[60] For a theoretical and comparative analysis of this issue, see Joel Migdal, Atul Kohli, and Vivienne Shue, eds., *State Power and Social Forces* (New York: Cambridge University Press, 1994).

[61] Berman (fn. 37); and idem, "Civil Society and Political Institutionalization," *American Behavioral Scientist* 40 (March–April 1997).

[62] Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

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working classes were strengthened; and individuals became more politically active and aware. Yet without actors willing and able to spearhead dramatic political change, the preconditions alone were not enough. The ball was there, one might say, but no one ran with it.[63] In particular, Germany's center and left political parties remained divided and unwilling to accept the compromises and responsibilities that forcing a regime shift would have entailed.[64] The SPD remained hesitant and unsure of its role in German society; the liberal (particularly left liberal) parties were suspicious of the SPD (and vice versa) and had in any case grown weaker over time; and the Zentrum, despite its commitment to universal suffrage and parliamentary integrity, had trouble aligning itself explicitly with those who had long criticized its religious nature and practices. Although these parties did eventually come together at the end of the First World War to lead Germany's transition to democracy, they were unable to overcome their differences until the system was already collapsing.

In the wake of the third wave, it has been noted, "the manner in which theorists of comparative politics have sought to understand democracy has changed as the once-dominant search for prerequisites of democracy has given way to a more process-oriented emphasis on contingent choice."[65] Yet rather than think of structural factors and political agency as competing explanations for a single dependent variable of "democratization," the case of Imperial Germany confirms that both should be viewed as factors in a two-stage story of political development. Structural developments may be necessary to create an environment favorable to democratization and eventual consolidation, but unless powerful and determined local actors step up to lead the way,

[63] About 1910 the leader of the conservatives was purported to have told a left-liberal parliamentarian: "The future does indeed belong to you, the mass will assert itself and deprive the aristocrats of their influence. A strong statesman may stem this tide, but only for awhile. We will not, however, abandon our position at our own free will. Nevertheless, if you force us to, then you will have what you want." Retallack (fn. 46), citing a passage in H. Pachnicke, *Führende Männer im alten und im neuen Reich* (Berlin, 1930), 296 fn. 100. See also Nipperdey (fn. 57), 184.

[64] Some might argue that this was itself a consequence of structural factors—that the forces in Germany one would expect to have pushed for further liberalization were unable or uninterested in doing so because their actions and preferences were themselves conditioned by the historical, social, and political context within which they operated. Devising appropriate methodological tests for such reflexive hypotheses is extremely difficult. Nevertheless, as this article has tried to argue, current understandings of Imperial Germany emphasize not the strength and constraining effect of the historical context but rather its fluidity and development over time. Moreover, dramatic examples of successful political reform elsewhere driven by actors operating under similar structrural constraints further suggest that for the SPD and other German progressives, the fault lay to a large extent not in the stars but in themselves. See Berman (fn. 5).

[65] Terry Lynn Karl, "Dilemmas of Democratization in Latin America," *Comparative Politics* 23 (October 1990), 1.

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even weakened authoritarian regimes may find themselves with an extended lease on life.

Epilogue: Alternative Futures for Germany

Is it possible to go beyond the analysis above to get at some sense of what the prospects for the full democratization of Imperial Germany would have been had the war not broken out when it did? Perhaps. Counterfactuals are risky business, but applied carefully they can help assess how political outcomes would be different if a particular variable (or set of variables) were removed from the picture, thereby helping to evaluate the validity of different causal hypotheses.[66] As mentioned above, by the 1910s the social and political changes caused by economic development had brought Germany's political system to a critical juncture. Within a relatively short period of time, the evidence suggests, the political system would have to move in one of two directions: either gradually "decompress" and democratize (following the path of, say, Mexico today or Brazil in the 1970s, another soft authoritarian political regime with a powerful military), or experience some kind of "autogolpe" or Tiananmen Square–style crackdown.[67] Although it is impossible to say with certainty which would have happened, from a comparative perspective, the evidence suggests that the first outcome appears to be much more likely than most German historians have been ready to admit. When the political system seemed to have reached a similar critical juncture during the 1890s, the government considered a crackdown and rejected it; following twenty-five additional years of modernization a *Staatsstreich* would have been even more problematic.

The more developed a society, research shows, the less likely are coups to be attempted—and if attempted, the less likely they are to succeed.[68] The reasons for this are clear: in an economically advanced country where citizens are politically active, educated, and well informed, the costs of such an attempt (and of its potential failure) are very high. By 1914 Germans were highly mobilized, the SPD was at the peak of its power, discontent with the government was widespread, and

[66] James D. Fearon, "Counterfactuals and Hypothesis Testing in Political Science," *World Politics* 43 (January 1991); Philip E. Tetlock and Aaron Belkin, eds., *Counterfactual Thought Experiments in World Politics* (Princeton: Princeton University Press, 1996); Robert Cowley, ed., *What If? The World's Foremost Military Historians Imagine What Might Have Been* (New York: G. P. Putnam's Sons, 1999); and Niall Ferguson, *Virtual History* (London: Picador, 1997).

[67] For a remarkable behind-the-scenes glimpse of how authoritarian elites grapple with such questions, see "The Tiananmen Papers," *Foreign Affairs* 80 (January–February 2001).

[68] Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49 (January 1997).

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the conservatives were increasingly isolated. Any attempt at an authoritarian revision of the constitution in such a context would probably have called forth an immense popular reaction (not only by workers), thereby potentially requiring a significant amount of political violence; it also might have even raised questions about the willingness of the Reich's constituent states to follow Prussia's lead. Failure would almost certainly have put on the agenda not only parliamentarization and democratization but republicanism as well, and it would have damaged the chances for the kaiser and conservative elites to guarantee special protections for themselves under a new order. Given all this, it is doubtful that the kaiser or many conservatives would have been willing to take such a gamble.

The wild card here, of course, was the international situation. Imperial Germany was a great power in a highly competitive multipolar international system where war was considered a relatively normal act, and some contend that this gave German elites a third option—starting a diversionary conflict to forestall demands for political change. Whether or not the kaiser and conservative elites took their country to war as a way out of their domestic dilemma remains hotly disputed.[69] One can say at the least that they were less likely to oppose war once it seemed imminent, since the conflict could be seen to offer domestic benefits as well as geopolitical ones. Here, too, the German case may have important lessons for contemporary scholars and policymakers: one way an authoritarian regime might try to forestall political change is by creating (or at least not actively working to prevent) a diversionary international conflict. One contemporary case that does bear some similarity to Imperial Germany in its international power position is the People's Republic of China. To the extent that such similarities exist, the condundrum would thus be how to foster continued economic development and modernization while guarding against the possibility of Chinese elites exporting the problems that such modernization causes them at home.

But *even if* one believes that the outbreak of war in 1914 was endogenous to the dynamics of the German case rather than exogenous to it, for theoretical reasons it is still worth pondering what might have happened had German political development continued unbroken—since many other countries face similar domestic situations but lack the freedom of action internationally to consider such an option. Without the war, it would appear, the chances for democratization in Germany

[69] See fn. 56; and Janos (fn. 12).

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would have been relatively high. And if Germany had indeed embarked on a gradual liberalization in 1914 instead of war, there could have been a transition to democracy unburdened by the humiliation of a lost war and the stab-in-the-back legend and by a ruined economy. Further, the democratic and pragmatic tendencies of many of its major parties would have been strengthened by being allowed to participate in the process of political change. The odds of success for Germany's first democratic experiment would therefore have increased greatly, and in the end European and world history would have looked very different indeed.[70]

[70] One recent attempt at counterfactual history also considers the possibility of Imperial Germany's making a successful transition to democracy; see Niall Ferguson, *The Pity of War* (New York: Basic Books, 1999). Ferguson argues, however, that this would have occurred not if Germany had avoided the war but rather if it had won it. A quick victory by Germany, he claims, would have avoided most of the horrible bloodshed, allowed the kaiser to claim an impressive success, and left ex-corporal Adolf Hitler permanently on the sidelines of history. What Ferguson fails to consider, however, is that such a victorious campaign would have strengthened the kaiser and conservative elites, forestalled a National Liberal move to the left, and alienated the SPD further from its potential coalition partners. The most likely result would therefore have been, indeed, eventual further liberalization, but under the leadership of a revivified conservative coalition that would have been reluctant to go all the way to a full democratic regime.

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THE SOCIAL CONSTRUCTION OF AN IMPERATIVE
Why Welfare Reform Happened in Denmark and the Netherlands but Not in Germany

By ROBERT HENRY COX*

THE Netherlands and Denmark have become the model cases of welfare reform in Western Europe. Academics and journalists have written scores of books and articles on the topic. Governments in other European countries have sent delegations to observe and learn how the Dutch and Danes managed this remarkable feat. Much of the attention came from Germany, where officials were looking to emulate the Dutch and Danish successes.[1] The German discussions often took on a woeful tone, however, listing reasons Germany was destined to fail in its effort to learn from its neighbors.

In addition to being an issue of great public and political interest, the contrasting experiences present an ideal opportunity for comparative policy analysis. Three countries, similar in political culture, history, and institutional form have different experiences in effecting policy change. This means either that the cultures, histories, and institutions in these countries are less similar than has been assumed or that there is more to the policy process than has yet been seen. Most of the studies of this issue have taken the former point of departure. Especially among German academics, the differences between Dutch and German corpo-

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[1] Petra Pinzler, "Die Niederlande Haben Ihren Sozialstaat Erfolgreich Umgebaut: Ein Vorbild Auch für Uns?" *Die Zeit,* January 10, 1997, 3; Ralf Kleinfeld, "Was Können die Deutschen vom Niederländischen 'Poldermodell' Lernen?" in Josef Schmid and Reiner Niketta, eds., *Wohlfahrtsstaat: Krise und Reform im Vergleich* (Marburg: Metropolis, 1998).

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ratism, for example, or the uniqueness of German unification are taken to explain why the experiences of their neighbors cannot be emulated.

In this article I adopt the latter point of departure, arguing that much of the difference is explained by a factor that often gets overlooked, namely, the social construction of the need to reform. By this I mean that reform was made possible in Denmark and the Netherlands by political leaders who mobilized public debate by a process called "path shaping"[2]—framing issues in ways that generated widespread support for reform initiatives. In Germany the debate remained polarized, with many important political actors rejecting the suggestion that reform was either necessary or desirable. The reform process was by no means easy in Denmark and the Netherlands, but after the path was shaped, controversy centered on the character and timing of reform. In Germany, however, the failure to shape a new path for reform resulted in a path-dependent stalemate.

The Dependent Variable: The Quality of Welfare Reform

Comparative studies of welfare reform have focused on both its quantitative and its qualitative indicators. On the quantitative side, public spending is the proxy many researchers have used to measure retrenchment,[3] as well as, for example, the effects of retrenchment on the incidence of poverty in a country.[4] In quantitative terms, all three countries in this study have made important cutbacks.[5] Figure 1 shows that all three countries, especially the Netherlands, have done better than most in containing welfare growth. Based on quantitative measures alone, however, Denmark does not deserve its reputation as a vigorous reformer.

Indeed, welfare reform stands out in Denmark and the Netherlands because it represents a *qualitative* change in the character of public policy, a change that amounts to a reconsideration of the social rights of

[2] Full credit for coining the concept of path shaping goes to Jacob Torfing, "Towards a Schumpeterian Workfare Postnational Regime: Path-Shaping and Path-Dependency in Danish Welfare State Reform," *Economy and Society* 28, no. 3 (1999), 369.

[3] Niels Ploug, "The Welfare State in Liquidation?" in Niels Ploug and Jon Kvist, eds., *Recent Trends in Cash Benefits in Europe* (Copenhagen: Danish National Institute of Social Research, 1994), 11–26.

[4] Richard Clayton and Jonas Pontusson, "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies," *World Politics* 51 (October 1998).

[5] See Peter Abrahamson, "The Scandinavian Welfare Model in a Time Of Change," in William M. Cave, ed., *The Welfare Society in Transition: Problems and Prospects of the Welfare Model* (Copenhagen: Danish Cultural Institute, 1994); Jelle Visser and Anton Hemerijck, *A Dutch Miracle: Job Growth, Welfare Reform and Corporatism in the Netherlands* (Amsterdam: Amsterdam University Press, 1997); Jens Alber, "De Deutsche Sozialsstaat im Licht International Vergleichender Daten," *Leviathan: Zeitschrift für Sozialwissenschaft* 26 (June 1998); Paul Pierson and Miriam Smith, "Bourgeois Revolutions? The Policy Consequences of Resurgent Conservatism," *Comparative Political Studies* 25 (January 1993).

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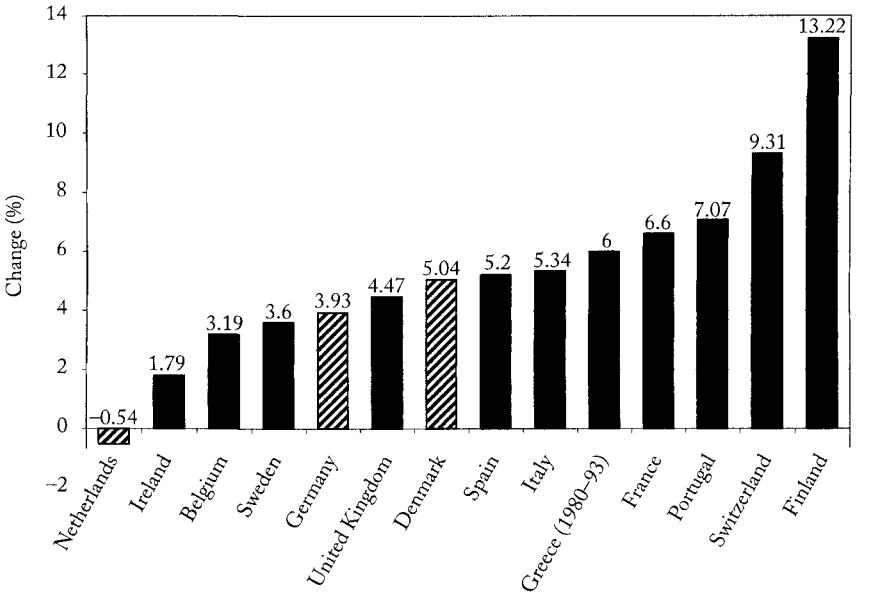

FIGURE 1
CHANGE IN SOCIAL EXPENDITURES AS A PERCENTAGE OF GDP

SOURCE: Organization for Economic Cooperation and Development, "The OECD Social Expenditure Database Diskette" (Paris: OECD, 1999).

citizenship.[6] In the postwar period social rights provided the normative justification for building generous social programs. As many scholars have noted, the hallmark of the postwar welfare state was a shift from the idea that aid to the poor should carry a stigma toward the idea that public assistance is a right to which all citizens are entitled. And in the most advanced welfare states the level of assistance tries not only to provide citizens with the means to assure mere subsistence but also to award them sufficient resources to participate fully in society. These were the hallmarks of a morally neutral, generous welfare state.[7]

Today, in both Denmark and the Netherlands, welfare reformers actively seek to interfere with individual moral choice. Both countries vig-

[6] Decommodificaton is the term favored by those who emphasize qualitative differences in the character of welfare states. Decommodification refers to the degree of market independence welfare states give to citizens, and the concept allows welfare states to be classified as more or less decommodified. See Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990).

[7] For a full discussion of these changes, see Robert Henry Cox, "The Consequences of Welfare Reform: How Conceptions of Social Rights Are Changing," *Journal of Social Policy* 26 (January 1998).

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orously enforce work requirements for public assistance and unemployment and even tell people how they must change their lifestyles in order to successfully hold a job. Both countries are also moving away from universalism, either by placing more responsibility on individuals to secure their own welfare or by targeting only the truly needy for support. In the process people who might qualify but do not need assistance, such as the middle class, are excluded. In Denmark, Jørn Loftager has referred to this in Durkheimian terms as a shift from organic to mechanical solidarity.[8] In the Netherlands, Romke van der Veen and Bart Trommel[9] have called the reforms a "managed liberalization" of the Dutch welfare state. For example, to encourage people to stay in the workforce longer, levels of income replacement in unemployment, disability, and early-retirement schemes have been reduced.[10] Instead of building a strong safety net for those who leave the workforce, social policy now emphasizes keeping people in the labor market. The result has been a dramatic reduction in unemployment figures in the two countries, a result that has drawn the attention of officials in other countries.[11]

Similar qualitative changes have been elusive in Germany, setting this case apart. Trade unions have opposed active labor-market policy. Pension reform and a related tax reform that would increase incentives to remain in the labor market have stagnated in parliamentary debate. Though its record in quantitative budget cutting compares favorably with other countries, Germany's welfare state has not experienced the qualitative shift in focus that has occurred in Denmark and the Netherlands.

The Theoretical Challenge: Why Conventional Explanations Fall Short

Conventional explanations of welfare reform are inadequate for explaining the different experiences of Denmark, the Netherlands, and Germany. The leading conventional explanation, the "power resources" explanation, was developed in the postwar period to explain the growth of welfare states and more recently has been used to explain their expe-

[8] Jørn Loftager, "Solidarity and Universality in the Danish Welfare State: Empirical Remarks and Theoretical Interpretations" (Paper presented at the 7th BIEN International Congress, Amsterdam, September 10–12, 1998).

[9] Romke van der Veen and Willem Trommel, "Managed Liberalization of the Dutch Welfare State: A Review and Analysis of the Reform of the Dutch Social Security System, 1985–1998," *Governance* 12 (July 1999).

[10] Robert Henry Cox, "From Safety Net to Trampoline: Labor Market Activation in the Netherlands and Denmark," *Governance* 11 (October 1998).

[11] Frank van Empel, *The Dutch Model: The Power of Consultation in the Netherlands* (The Hague: Stichting van de Arbeid, 1997).

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riences with retrenchment. According to this argument, welfare states grew in the postwar period because groups that wanted the programs (social democrats and labor unions) were well organized and held political power in the countries where the most extensive welfare expansion took place. The intensity of welfare reform, therefore, should correlate with the political strength of right-wing forces, which generally are less enthusiastic about the expansion of social policy.

Critics note that the difficulty with the power resources argument is that there is no pattern that distinguishes left from right during the period of retrenchment.[12] Thus, right-wing governments in some countries have found their efforts to retrench frustrated by public opposition, whereas left-wing governments in other countries have managed to enact dramatic reforms. As Fritz Scharpf noted, the lack of a clear pattern indicates the need to look at the actual strategic plans of governments, rather than assuming their policy preferences from their ideological location.[13]

For the cases of Denmark, the Netherlands, and Germany this dilemma is more pronounced. During the 1980s bourgeois governments reigned in each of the three countries. Bourgeois control was weakest in Denmark, often consisting of minority governments. The power resources argument would therefore predict more retrenchment in Germany and Netherlands, where solid coalitions between moderate-right Christian democrats and neoliberals were more firmly committed to paring back welfare expenditures. The record from the 1980s bears out this claim. The Dutch made some dramatic reforms, though failure to reform the country's most expensive program, disability benefits, canceled out the savings from cuts made elsewhere.[14] Germany made notable cuts to its health care expenses,[15] but the Danish welfare state seemed impervious to reform.[16]

In the 1990s the conditions for the power-resource explanation became more problematic. Helmut Kohl's moderate-right government retained control in Germany until 1998, but welfare reform stalled.

[12] Paul Pierson, "The New Politics of the Welfare State," *World Politics* 48 (January 1996).

[13] Fritz Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca, N.Y.: Cornell University Press, 1991).

[14] Coen Teulings, Romke van der Veen, and Willem Trommel, *Dilemma's van Sociale Zekerheid: Een Analyse van 10 Jaar Herziening van het Stelsel van Sociale Zekerheid* (The Hague: Ministerie van Sociale Zaken, 1997).

[15] Susan Giaimo, "Health Care Reform in Britain and Germany: Recasting the Political Bargain with the Medical Profession," *Governance* 8 (July 1995); Jens Borchert, *Die Konservatieve Transformation des Wohlfahrtsstaates: Großbritannien, Kanada, die USA und Deutschland im Vergleich* (Frankfurt: Campus Verlag, 1995).

[16] Lars Nørby Johansen, "Denmark," in Peter Flora, ed., *Growth to Limits: The Western European Welfare States since World War II* (Berlin: Walter de Gruyter, 1986).

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Social democrats took control of left-wing governments in both Denmark and the Netherlands and implemented dramatic welfare reforms in both countries. Many explanations of these two cases argue that the left-wing governments merely followed through on changes that had been put in place by the previous right-wing governments.[17] But if change of government really did not matter, it raises doubts about the importance of the power-resources explanation.

Coalition analysis is a recent variant of the power-resources approach. Although it accepts the general argument that identifying those who hold political power is the best way to explain policy reform, it improves the measure for political support. Whereas power-resource scholars crudely distinguished between left and right, coalition analysts treat the middle class as a distinct type of political force and treat unions and business leaders as independent actors able to lend their support to a number of political parties. In the period of welfare growth, for example, the decision of the middle class to support or oppose universalization determined whether the left or right would be successful.[18] Therefore, even when the left was in power, the reluctance of the middle class to support welfare expansion deprived it of a critical mass of support. In the era of retrenchment the middle class has embraced fiscal restraint, even arguing that generous welfare programs undermine the obligations of citizenship.[19] Thus, left-wing governments that rely on the middle class to stay in power have been forced to become welfare reformers.

Coalition analysis offers much purchase in explaining these three cases. The success of reform in the Netherlands and Denmark began in the 1980s with a coalition between a government committed to reform and employers who demanded cuts in wage costs. When leftist governments took power in the 1990s, they had a weaker degree of parliamentary support and had no choice but to implement the reforms begun by their bourgeois predecessors.[20] Despite strong parliamentary

[17] D. P. Rigter et al., *Tussen Sociale Wil En Werkelijkheid: Een Geschiedenis Van Het Beleid Van Het Ministerie Van Sociale Zaken* (The Hague: VUGA Uitgeverij B. V., 1995); Peter Abrahamson, "Dänische Experimente mit der Sozialpolitik: Neuerungen Während der 80er und 90er Jahre," in Werner Fricke and Else Fricke, eds., *Jahrbuch Arbeit und Technik, 1995* (Berlin: J. H. W. Dietz Nachfolger, 1995).

[18] Peter Baldwin, *The Politics of Social Solidarity: Class Bases of the European Welfare State, 1875–1975* (Cambridge: Cambridge University Press, 1990).

[19] See Bent Rold Andersen, "Rationality and Irrationality of the Nordic Welfare State," *Daedalus* 113, no. 1 (1984); Alan Wolfe, *Whose Keeper? Social Science and Moral Obligation* (Berkeley: University of California Press, 1989).

[20] Christina van Wijnbergen, "The Politics of Reforms: Battling Unemployment in Germany and the Netherlands" (Paper presented at annual meeting of the American Political Science Association, Atlanta, Ga., September 2–5, 1999); Christopher Green-Pedersen, "The Danish Welfare State under Bourgeois Reign: The Dilemma of Popular Entrenchment and Economic Constraints," *Scandinavian Political Studies* 22 , no. 3 (1999).

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support, Kohl's governments in Germany were prevented from making similar changes because they lacked support from the social partners (employers and labor unions), whose position in corporatist bargaining weakened the coalition for reform.

Although coalition analysis improves on the power-resource approach, it is more useful for explaining efforts to cut costs than for explaining qualitative reforms in welfare programs. In Germany the major reforms strove to reduce health care expenditures through budget cuts,[21] but the Dutch and Danes embarked on a rethinking of the fundamental purpose of social policy. In focusing on how a coalition is able to reach its goals, coalition analysis overlooks the question of how those goals are defined and articulated. It is one thing for a coalition to wield the *power* to make policy changes, it is quite another (and in a democratic country necessary) to establish the *authority* to act.[22] Indeed, assuming that groups whose interests and ideologies diverge have strong reasons to disagree, creating a coalition demands that the actors adjust their interests and ideological language to find a political space in which maximum agreement can be reached. As I argue later in this article, a social-constructivist explanation concentrates on exactly this problem of how coalition agreements are created. Consequently, the constructivist approach enhances the explanatory power of coalition analysis.

A second type of explanation identifies institutional differences as the reason for the different policy outcomes. Institutionalists argue that policy institutions establish conditions that create environments that are favorable for some types of reform and unfavorable for other types.[23] Institutional analysis has been employed to explain the difficulties of reforming health care,[24] as well as the inability of anti–welfare

[21] Borchert (fn. 15).

[22] This point is based on Max Weber's outline of the difference between power and authority. Power, he argued, is the ability to bend others to one's will. Authority, by contrast, is the exercise of power sanctioned by a sense of legitimacy rather than brute force. See Max Weber, "The Fundamental Concepts of Sociology," and "The Types of Authority and Imperative Coordination," in Talcott Parsons, ed., *The Theory of Social and Economic Organization* (New York: Free Press, 1947), 52, 328; Alfred Diamant, "The Bureaucratic Model: Max Weber Rejected, Rediscovered, Reformed," in Ferrel Heady and Sybil Stokes, eds., *Papers in Comparative Public Administration* (reprint; Ann Arbor: Institute of Public Administration, University of Michigan, 1980.

[23] James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989); Kathleen Thelen and Sven Steinmo, Introduction, in Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992); Paul Pierson, "Not Just What, but *When*: Issues of Timing and Sequence in Comparative Politics" (Paper presented at the annual meeting of the American Political Science Association, Boston, September 1998).

[24] Sven Steinmo and Jon Watts, "Its the Institutions, Stupid! Why Comprehensive National Health Insurance Always Fails in America," *Journal of Health Politics, Policy and Law* 20, no. 2 (1995), 329.

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state governments to carry out more than minor reforms of even obscure programs with small constituencies.[25]

Institutional explanations have been especially popular with German scholars trying to fathom their own country's slow progress in welfare reform; they looked to Denmark and the Netherlands for useful lessons that might be imported. These explanations argue that differences in the character of corporatist representation and wage bargaining, namely, the centralization of trade union and collective bargaining in Germany, explain why reform fails. Weak union voice in Denmark and the Netherlands is demonstrated in the trend toward decentralized wage bargaining and in a weak system of corporatism that gives the government greater autonomy.[26] Other explanations focus on the important differences in the character of welfare programs, particularly public pensions.[27] Denmark has a more universal pension system, funded out of general revenues. Because the pain of cutbacks can be spread equitably across the population, the system is easy to reform. By contrast, because the German system is a pay-as-you-go contributory arrangement, reform is a politically divisive zero-sum game. Either retired workers who paid into the system throughout a lifetime in the workforce will never realize their expected benefits, or the current working generation will continue to pay taxes to fund the system but will never receive benefits. Though the Dutch system is like the German system, it is easier to reform because earnings-related benefits are fully funded, meaning the contributions of a future generation of workers are not needed to satisfy current obligations.

These institutional explanations say much about the differences across the three cases, but they are less persuasive when the cases are placed in a larger comparative context. The differences between Danish, Dutch, and German corporatism, no matter how important, are still smaller than the differences among all three, on the one hand, and Britain and the United States, on the other hand. Britain and the U.S. lack mechanisms for corporatist consultation and are often labeled "lib-

[25] Pierson (fn. 12).

[26] Günther Schmid, "Beschäftigingswunder Niederlande?" *Leviathan: Zeitschrift für Sozialwissenschaft* 25, no. 3 (1997); Josef Esser and Wolfgang Schröder, "Neues Leben für den Rheinischen Kapitalismus: Vom Bündnis für Arbeit zum Dritten Weg," *Blätter für Deutsche und Internationale Politik* 1 (January 1999); Heinz Theisen, "Korporatismus und Konfliktkultur als Ursachen der 'Deutschen Krankheit,'" *Aus Politik und Zeitgeschichte* B 29–30 (1998).

[27] Jochen Clasen, "Beyond Social Security: The Economic Value of Giving Money to Unemployed People," *European Journal of Social Security* 1, no. 2 (1999); Heinz Werner, "Die Arbeitsmarkt Entwicklungen in Niederlande: Welche Lehren für Uns?" *Arbeit und Sozialpolitik* 52, no. 1–2 (1998); Philip Manow, "Social Insurance and the German Political Economy," MPIfG Discussion Paper 97/2 (Cologne: Max-Planck-Institut für Gesellschaftsforschung, 1997); Gerhard Ritter, "Probleme und Tendenzen des Sozialstaates in den 1990er Jahren," *Geschichte und Gesellschaft* 22 (1996).

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eral" rather than "corporatist" welfare states.[28] Yet the quality of welfare reform in Denmark and the Netherlands looks much like the welfare-to-work or workfare programs under way in Britain and the U.S.[29] Because the Netherlands managed the change and Germany did not, the institutional design of its welfare state per se is not the problem. Denmark, too, poses challenges when set in a broader context. According to conventional typologies, it is one of the Scandinavian welfare states where generous social support empowered individual autonomy and created a feeling of social solidarity. By this standard, the Danish shift is more dramatic than the Dutch, and both countries should trail Germany.

The differential experiences of these three countries challenge the assumption of path dependency, common to institutional analyses.[30] Path dependency holds that institutions create a conservative bias and tend to produce similar types of political decisions over time. Though the German case seems to fit the assumption, the magnitude of change in Denmark and the Netherlands offers two path-breaking examples to the contrary. Most institutional analyses are ill equipped to explain these as more than anomalies. But if the Netherlands and Denmark are model cases of welfare reform, then they cannot be considered anomalies. Institutional theory improves if it can specify the internal dynamic that allows welfare reformers to chart a new policy course. The argument advanced here is that the constructivist perspective expands institutional theory because it specifies theoretically the path-shaping power of ideas and individual action to alter individual preferences and institutional configurations.

A third type of explanation eschews theory and emphasizes idiosyncratic characteristics to explain welfare reform in these countries. Germany, according to such accounts, failed to implement welfare reform because of the peculiar burden of unification.[31] The need to rebuild the industrial infrastructure in the eastern part of the country, to create a common currency and regulatory apparatus, and to cushion a population with poor skills from the social effects of the transition to an industrialized economy absorbed time and political energy that might

[28] Esping-Andersen (fn. 6).

[29] Alan Deacon, "But Not Just America: The Influence of European and American Ideas upon 'New Labour' Thinking on Welfare Reform" (Paper presented at the European Forum, European University Institute, Florence, March 25, 1999).

[30] Paul Pierson, "Increasing Returns, Path Dependence and the Study of Politics" (The Jean Monnet Visiting Professor Lecture, European University Institute, Florence, April 1997).

[31] Roland Czada, "Vereinigungskrise und Standortdebatte: Der Beitrag der Wiedervereinigung zur Krise des Westdeutschen Modells," *Leviathan: Zeitschrift für Sozialwissenschaft* 26 (March 1998), 24–25.

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otherwise have been directed to rethinking the welfare structure. Though plausible, the difficulty with this argument is that large-scale reform of social welfare could easily have been packaged as part of the cost of unification. As demonstrated by the dramatic reform of the deutsche mark in 1991 and by other big reforms related to unification, large-scale reform was possible.[32] Indeed, unification could have provided an opportunity to reconfigure the German welfare state, especially before many new citizens in the eastern part of the country became accustomed to the traditional forms of social support. But German leaders chose to leave the social welfare system alone and concentrate instead on other problems of unification.

Idiosyncratic arguments have been used to explain the Dutch miracle, too. The most well known book on the subject argues that policy learning and good luck combined to produce that country's dramatic economic turnabout.[33] The Dutch, the account goes, were fortunate in having bright leaders who learned from past mistakes and seized upon opportunities to effect successful change. Attributing the Dutch success to the country's good luck, however, limits the power of the argument to explain more than a single case. It means that German officials lacked cleverness, were unlucky, or both.

Indeed, most idiosyncratic accounts implicitly identify a factor that deserves more theoretical attention. In all cases welfare reform or its failure coincided with the presence or absence of a new mood among the decision-making elite about the need to reform. German officials chose not to include the welfare system when they considered the demands of unification. In Denmark and the Netherlands even those who were enthusiasts of the welfare state declared a need to reform it and worked hard to convince others. But this imperative to reform was not a mere idiosyncracy. As an idea, it can be treated as an independent variable in a cognitive theory of policy reform. "Social constructivism" is the name currently used to outline cognitive theories of social and political change. A social-constructivist account offers a way to explain why the reform imperative was constructed in the Netherlands and Denmark yet for a long time proved elusive in Germany.

The Theoretical Alternative: Social Constructivism

Social constructivism is an inelegant label for a perspective that emphasizes cognitive factors in explaining behavior and social out-

[32] Konrad H. Jarausch, *The Rush to German Unity* (Oxford: Oxford University Press, 1994), 137–43.
[33] Visser and Hemerijck (fn. 5).

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comes.[34] Its intellectual origins can be traced back to Max Weber's pioneering work on the role of ideas in social change, and it has waxed and waned within the social sciences, variously carrying such labels as interpretivism, hermeneutics, and structuration.[35] The recent resurgence of social constructivism has been strongest in the fields of comparative political economy[36] and international relations.[37] Social constructivism is ontologically and epistemologically different from conventional explanations of social phenomena and by extension of conventional explanations of welfare reform. These differences have been the subject of careful study by many scholars and cannot be fully discussed here.[38] For the purpose of this article, however, I wish to outline how the social-constructivist approach offers a persuasive explanation for the differential pattern of welfare reform in Denmark, the Netherlands, and Germany.

First, at the ontological level, social constructivists argue that the beliefs and preferences of individuals cannot be deduced from preconceived assumptions about human nature but rather that they are constructed in a social environment where the beliefs and preferences held by other members of the community constitute the basis for what is deemed to be socially valued or preferred. Logical deduction led advocates of the power-resources explanation to assume that parties of the left were proponents of welfare expansion, though in fact they often were not.[39] Social constructivists, by contrast, hold that the ideological preferences of political actors are to be discerned by empirical inquiry and not by deductive assumption. This means that the *actions* of the left-wing coalitions in Denmark and the Netherlands need to be examined and contrasted with the policy initiatives of German governments.

[34] John Gerard Ruggie, "What Makes the World Hang Together? Neo-utilitarianism and the Social Constructivist Challenge," *International Organization* 52 (Autumn 1998); Jeffrey Checkel, *Ideas and International Political Change: Soviet/Russian Behavior and the End of the Cold War* (Ithaca, N.Y.: Cornell University Press, 1997).

[35] Clifford Geertz, "Thick Description: Toward an Interpretive Theory of Culture," in *The Interpretation of Cultures: Selected Essays* (New York: Basic Books, 1993); Peter Winch, *The Idea of a Social Science and Its Relation to Philosophy* (London: Routledge and Kegan Paul, 1958); Anthony Giddens, *The Constitution of Society: Outline of a Theory of Structuration* (Berkeley: University of California Press, 1984).

[36] Mark M. Blyth, "Any More Bright Ideas? The Ideational Turn of Comparative Political Economy," *Comparative Politics* 29, no. 2 (1997), 229.

[37] Jeffrey Checkel, "Norms, Institutions, and National Identity in Contemporary Europe," *International Studies Quarterly* 43, no. 1 (1999); Kathleen McNamara, *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca, N.Y.: Cornell University Press, 1998).

[38] See, for example, Mark I. Lichbach, "Social Theory and Comparative Politics," in Mark Lichbach, Alan Zuckerman, and Ira Katznelson, eds., *Comparative Politics: Rationality, Culture And Structure* (Cambridge: Cambridge University Press, 1997); Ruggie (fn. 34); Checkel (fn. 34).

[39] Peter Baldwin, *The Politics of Social Solidarity: Class Bases of the European Welfare State, 1875–1975* (Cambridge: Cambridge University Press, 1990).

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Second, these beliefs and preferences can exist independent of the physical world. Here social constructivists build upon Weber's fact/value dichotomy, according to which, the capacity of humans for rational thought allows us to construct "worlds" that are logical and real but reside only inside our heads. The existence of facts in the physical world has a strong impact on the way we construct our understandings, but our cognitive capacity allows us to attach values to those facts that give them a special meaning. These special meanings then influence the way we plan our actions.

Institutionalists often overlook the connection between facts and values, assuming that similar institutions will hold similar meaning in different countries.[40] Rational institutionalists, for example, view institutions as constraints on the behavior and preferences of rational actors. For them, institutions affect behavior only as obstacles that actors must negotiate. Historical institutionalists, who are less rigid on their assumptions about human motivation, still tend to view institutions in configurative terms, emphasizing their path-dependent qualities. In a comparative study of unemployment reform, Jochen Clasen highlighted the problem: "Demonstrating the role of institutions as constraining policy making is not the same as illustrating their facilitating role. An absence of institutional barriers in Denmark and the UK similar to those in Germany cannot be taken as proof of the significance of institutions for policy formation."[41]

Path dependency works only when it is accompanied by a conception of the role of human agency. Jacob Torfing adds a theory of agency to institutionalism by stressing the importance of path-shaping behavior engaged in by actors who seek to overcome institutional and circumstantial obstacles.[42] Path shaping serves as a cause for policy reform when actors change the conceptual discourse in an area of a policy, establishing new grounds for evaluating the legitimacy of policy proposals.[43] The new social construction makes it easier to change institutions in order to accommodate the policy reforms. Therefore, ideas, expressed as new concepts for legitimating policies, function as independent causes of reform.

[40] Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalisms," *Political Studies* 44, no. 5 (1996), 936.

[41] Clasen, "Motives, Means and Opportunities: Reforming Unemployment Compensation in the 1990s" (Manuscript, European University Institute, Florence, 1999), 24.

[42] Torfing (fn. 2).

[43] Giandomenico Majone, *Evidence, Argument and Persuasion in the Policy Process* (New Haven: Yale University Press, 1989).

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The welfare state is an ideal example of a socially constructed concept amenable to path shaping. It consists of specific policies and programs, but these have meaning only as a result of their connection to a unique constellation of values, goals, and objectives that resonate in society. The stories of their constructions are replete with examples of policy entrepreneurs who took well-established principles, such as security, equality, or justice, and packaged them as justifications for the expansion of public policy.[44]

If the idea of the welfare state is socially constructed, so is the need to reform it. Scholars have noticed many global pressures that prompt policymakers to make adjustments in their welfare programs. Greater mobility of productive capacities fosters factor-price equalization, meaning that wages and social taxes must be adjusted to keep firms from fleeing to low-wage countries.[45] Demographic changes place more strain on pensions and health care budgets, and technological innovations make the delivery of education more expensive. Conventional studies of welfare reform take this as evidence of the "need" to reform and set out to examine how and whether reform follows from these global trends.

From a social-constructivist perspective, however, whether a society needs to reform its welfare state is itself treated as an open question. A welfare state may be ill adapted to the new world of globalization, but many dysfunctional institutions can persist for a long time.[46] Because welfare states do not need to reform, people must want them to reform. Yet the reform process is a political one, meaning that it will not be readily evident to all political actors that reform is necessary. Indeed, many other actors will be resistant to the idea of change or will deem any change as not in their interests; they will therefore oppose altering the status quo. In a political environment the advocates of reform need to employ strategies to overcome the skepticism of others and persuade them of the importance of reform. In other words, they must create a discourse that changes the collective understanding of the welfare state, because doing so "shapes the path" necessary to enact reform.

Throughout the postwar period the welfare discourse in many coun-

[44] Douglas Ashford, *The Emergence of the Welfare States* (Oxford: Basil Blackwell, 1986); Jens Alber, "Continuities and Changes in the Idea of the Welfare State," *Politics and Society* 16, no. 4 (1988), 447–50.

[45] Lester C. Thurow, *Head to Head : The Coming Economic Battle among Japan, Europe, and America* (New York: Morrow, 1992).

[46] Stephen D. Krasner, "Sovereignty: An Institutionalist Perspective," *Comparative Political Studies* 21, no. 1 (1988).

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tries fostered the development of social programs to provide security and alleviate poverty. Public support for these objectives was strong.[47] Specific disagreements centered on the timing and pace of those reforms. Budget cutting, according to this discourse, amounted to a setback in the mission of the welfare state and was resisted by its defenders.

Today, in countries where welfare reform has succeeded, the discourse has changed. From Sweden to the United States, critics of the welfare state lament its perverse incentives that encourage cheating and erode family coherence. To an increasing degree, reform is framed as a way to strengthen the welfare state. But budget cutting is not the type of reform envisioned by such advocates. Rather, they focus on qualitative reforms, sometimes irrespective of the cost. Qualitative reforms seek to eliminate the opportunities for moral hazard, target groups in greatest need of assistance, and improve the efficiency of the welfare delivery system.

Actors change the discourse by careful reframing of policy issues. According to Thomas Rochon, issues can be successfully reframed when they build upon existing social values, sometimes recasting values to make them relevant to the proposed reform.[48] One example of this is the shifting discourse about public pensions. Privatization is now framed, not as a rollback of the welfare state, but as a means of strengthening individual autonomy by giving people control over their pension savings. Likewise, under the old discourse means-tested public assistance was deemed degrading and inferior to universal assistance. Today, means testing is promoted by those who want to make public assistance available for the truly needy and to exclude those who might qualify but do not need assistance.

As a framework for the comparative study of welfare reform, a social-constructivist approach can explain dissimilar patterns of reform in countries that should be expected to change in similar, path-dependent ways. Such an argument succeeds if it can identify policy entrepreneurs who shifted the discourse about the purpose of the welfare state *and* if this new discourse influenced the adoption of policy reforms. The study should find both conditions present in Denmark and the Netherlands, while in Germany either policy entrepreneurs have not altered the dis-

[47] Richard Coughlin, *Ideology, Public Opinion and Welfare Policy: Attitudes toward Taxes and Spending in Industrialized Societies* (Berkeley: University of California Press, 1980); Jørgen Goul Andersen, "Sources of Welfare-State Support in Denmark: Self-Interest or Way of Life?" in Erik J. Hansen et al., eds., *Welfare Trends in the Scandinavian Countries* (Armonk, N.Y.: M. E. Sharpe, 1993).

[48] Thomas Rochon, *Culture Moves: Ideas, Activism, and Changing Values* (Princeton: Princeton University Press, 1998).

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course about the welfare state or they have failed to implement reforms that conform with the new discourse.

Denmark

A change in the discourse surrounding the Danish welfare state can be traced to 1973, when a political crisis brought down the political establishment following elections in that year. Soul searching among the political establishment followed, and the welfare state was blamed for stifling individual incentives and causing a breakdown in civic-mindedness by encouraging legal tax evasion.[49] To address these problems, a famous treatise of the day declared that the political establishment needed to conduct a "revolt from the middle"[50] and reform the welfare state before the radical fringe captured the initiative. Disconcert led to a great number of policy initiatives that reflected similar though not yet coherently articulated concerns. There began to emerge out of the debate a new vision that reclaimed old values and recast the desirable aspects of the welfare state in accordance with these rediscovered values. The reforms, combined with increasing public dialogue, were beginning to give shape to a new vision of the welfare state. Today all political groups are struggling to dominate the public interpretation of this new welfare state.

In Denmark perhaps the most heated discussion about the welfare state centered on the question of whether the welfare state undermined the duties of citizenship. Indeed, the debate predated concern over the growing costs of the welfare state. Many publicly funded welfare services, such as higher education and cultural activities (museums and opera), are utilized disproportionately by groups that have a greater ability to pay. Tax subsidies for middle-class homeowners promoted an increase in owner-occupied homes and even a strong market in vacation homes. All this was seen as evidence of a more calculating, self-interested citizen whose value structure was egoistic, not solidaristic.[51]

To promote reform, the bourgeois governments began a campaign in the late 1980s to recapture the lost spirit of the welfare state. For rhetorical effect, the government borrowed the idea prominent in

[49] Bent Rold Andersen, "Rationality and Irrationality of the Nordic Welfare State," *Daedalus* 113, no. 1 (1984); Eric Einhorn and John Logue, *Modern Welfare States: Politics and Policies in Social Democratic Scandinavia* (New York: Praeger, 1989).

[50] Niels I. Meyer, K. Helveg Petersen, and Villy Sørensen, *Revolt from the Center* (London: Marion Boyars, 1981).

[51] Jørgen Goul Andersen and Peter Munk Christiansen, *Skatter Uden Velfærd: De Offentlige Udgifter i International Belysning* (Copenhagen: Jurist- og Økonomforbundets Forlag, 1991), 316–20.

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American welfare discussions that the welfare state crowds out civil society's capacity to solve its own problems. At their party congress in 1981, Conservatives concocted the slogan "from welfare state to welfare society" and used it as a loosely specified justification for a variety of proposals. The Liberals (the other major party of the right) adopted the slogan and together with the Conservatives argued that to encourage civil society the state needed to reduce its welfare tasks and provide incentives for private actors to take them on. In practice, this was a proposal for privatization of many social services and for more tax incentives.[52]

The rhetorical shift was quickly embraced by the Social Democrats, who saw a shift toward a welfare society as a solution to the welfare state's wicked evil—social exclusion, a term that identifies a negative consequence of a passive system of cash transfers. When the Social Democrats accepted the need for change, however, they lost the initiative in framing the debate. The bourgeois government successfully portrayed the Social Democrats as not serious about reform and capitalized on its momentum to propose a dramatic review of the system of cash transfers.

In keeping with Danish tradition, the government established a special commission of independent experts to review the existing system and offer proposals for reform. The Social Commission, as it was called, published a number of reports in 1993.[53] According to the commission, the main problem of the welfare state was a low level of labor-market participation, especially among the young. Generous benefits that could be renewed forever had convinced too many young people that paid leisure was more profitable than paid work. As their skills deteriorated, many of these people became permanently dependent on social support.

The Social Commission proposed adjustments that would encourage people to choose work over idleness, for example, by lowering the level of social assistance below the average wage, raising the qualifying age for early retirement, and setting a five-year limit on unemployment benefits. But these were mere adjustments to the existing system. More dramatic was the commission's recommendation to fundamentally retool the philosophical foundation of the system by rejecting the practice of moral neutrality that had been introduced in the 1960s.

[52] The author is grateful to Peter Kurrild-Klitgaard for pointing out the origins of the phrase.

[53] Indeed, the Social Commission was not the only important committee. The Zeuthen Committee, established in the late 1980s, was charged with examining labor-market and unemployment policy. Its recommendations were the basis for the Act on Municipal Activation, discussed below. See Torfing (fn. 2).

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To make this change, the Social Commission argued that reciprocity between rights and duties meant that individuals who receive assistance must accept the obligation to work. Similar proposals by the bourgeois parties had been rejected as alien to the Danish tradition and more akin to British neoliberalism. To overcome potential criticism, the Social Commission found a justification for its proposal in no better place than two articles in section 75 of the Danish Constitution:

> —sec. 75.1: To promote the common welfare, every able-bodied citizen must have the opportunity to work under conditions that secure his livelihood.
>
> —sec. 75.2: If a person is unable to support himself or his family, and he cannot rely on anyone else, he is entitled to public support; however, he must submit to those obligations that the law prescribes.[54]

Citing these passages of the Constitution in many of its reports, the commission argued for reciprocity between the rights and duties of citizens. But it also argued that reciprocity applies to the state as well. For the citizens' part the right to welfare assistance is connected to the duty of all able-bodied citizens to work. This means that citizens who wish to be supported by the public sector agree to be placed in a socially useful activity. The state, for its part, has the right to demand that citizens work, but is also obligated to create the opportunities for citizens to fulfill their duty by providing them with offers of work.[55]

The Social Commission reports were widely disseminated and widely discussed in the media. Judging by changes in public opinion, these new formulations of the obligations of citizens had immediate and profound effects. Table 1 presents the results of two surveys, conducted in 1994 and 1996, that reveal the degree of change in public attitudes. In 1994 only 29 percent of the population believed that income transfers were "getting beyond control." In 1996 that percentage had almost doubled (54 percent), and in that year a majority had come to believe that income transfers must be reined in. Moreover, the 1994 survey indicated that a majority of Danes believed there was widespread abuse of welfare programs.[56]

By the mid-1990s policy leaders were arguing for a change in the welfare state, and there was growing public belief that reform was necessary. This prompted the government, which by then had switched to

[54] Socialkommissionen, *Reformer: Socialkommissionens Samlede Forslag* (Copenhagen: Socialkommissionen, 1993a), 82, author's translation. See also Socialkommissionen, *Socialkommissionens Reformforslag: Resumé* (Copenhagen: Socialkommissionen, 1993b), 3.

[55] Socialkommissionen (1993a), 81–83.

[56] Jørgen Goul Andersen, "Changing Labour Markets, New Social Divisions and Welfare State Support: Denmark in the 1990s," in Stefan Svallfors and Peter Taylor-Gooby, eds., *The End of the Welfare State? Responses to State Retrenchment* (London: Routledge, 1999), 19.

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TABLE 1
DANISH VOTERS' PERCEPTIONS OF THE WELFARE STATE
(%)

Question	*Year*	*Fully Agree*	*Partly Agree*	*Partly Disagree*	*Fully Disagree*	*Don't Know*
Income transfers are getting beyond control	1994	29	29	12	8	22
	1996	54	20	7	11	8
In the long run, we cannot afford to maintain the welfare state as we have known it	1994	21	29	20	16	14
	1996	41	18	11	23	7

SOURCE: Jørgen Goul Andersen, "Changing Labour Markets, New Social Divisions and Welfare State Support: Denmark in the 1990s," in Stefan Svallfors and Peter Taylor-Gooby, eds., *The End of the Welfare State? Responses to State Retrenchment* (London: Routledge, 1999), 29.

a coalition led by the Social Democrats, to enact many important pieces of legislation. Of these the most important were the Act on an Active Labor Market Policy,[57] the Act on Municipal Activation, and a dramatic overhaul of the pension system.[58]

According to the Act on Municipal Activation, people who received social assistance had to make themselves available for work, and municipal governments, which administered social assistance, had to assume responsibility for providing recipients with offers of work so they might fulfill their obligations. The new program of activation has had a profound effect on the character of social rights in Denmark. Whereas previously the right of the citizen to receive assistance was a given, today officials are expected to negotiate plans to get people off assistance. Local governments are free to create their own definition of activation, and they carry out their responsibilities in different ways. Consequently, the content of rights can vary in quality from one local government to the next. But the right to assistance is no longer automatic.

The second legislation to result from the Social Commission, the Act on an Active Labor Market Policy, introduced a similar reciprocal set of duties for the unemployed. Local officials were charged with providing the unemployed job seeker with a plan for finding a job and eventually an employed situation. Imposing reciprocal obligations in

[57] Ministry of Labor, *The Danish Labour Market Model and Developments in the Labour Market Policy* (Copenhagen: Ministry of Labor, 1994).

[58] Danish Ministry of Social Affairs, *From Passive to Active: Sickness Benefit, Cash Assistance, Activation and Rehabilitation* (Copenhagen: Ministry of Social Affairs, 1995), 16–18.

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the unemployment system was more problematic because it is a contributory system. But the Social Commission reminded its potential critics that since the existing unemployment system already stated an obligation to seek work, the only change was to assert that obligation more forcefully. Moreover, as unemployment skyrocketed in the 1980s, the state subsidy greatly exceeded contributions, warranting a more vigorous response.[59]

The emphasis on reciprocity in the two laws challenged the traditional passivity of the Danish welfare state. In a brilliant example of reframing, the Social Commission diffused potential criticisms by drawing a connection between its proposals and a Danish tradition that went back to the country's Constitution. The commission argued that its reforms would restore the historical roots of the Danish welfare state. By framing the issue in this way, the Social Commission tried to make the proposal appear less radical than it was perceived to be by its critics and to paint the passive status quo as the real radical departure from the value structure of the typical Dane. Further, this tack dispelled the criticism that activism was merely British- or American-style "workfare."

The third area of legislative reform will transform the universalistic pension system into a more contributory one. Recognizing the burden that a growing elderly population will impose on the future solvency of the system, the Social Commission argued that individuals needed to take more responsibility for their own pension savings. As a result, the commission advocated making the public system a less central component of total pension income and replacing the receding public scheme with more vigorous incentives for private pension savings. The first step in this direction was a decision to make benefits in the publicly funded scheme (*Folkepension*) more selective. A series of small reforms introduced means tests for the wealthy and expanded supplementary assistance for poor elderly citizens.[60] Second, legislation passed in 1997 turned the small superannuation scheme (ATP) into a contributory social insurance, which will grow and eventually overshadow the *Folkepension*. By shifting from the generally funded *Folkepension* to the contributory ATP, reformers hoped to place a natural brake on the growth of pension benefits, as the working population would resist raising contributions. Finally, opportunities for occupational pensions were

[59] For an excellent summary of the details of the two laws, see David Etherington, "From Welfare to Work in Denmark: An Alternative to Free Market Policies?" *Policy and Politics* 26, no. 2 (1998).

[60] Robert Henry Cox, "The Consequences of Welfare Retrenchment in Denmark," *Politics and Society* 25 (September 1997).

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approved in 1991, and since their introduction these schemes have mushroomed to cover virtually the entire skilled workforce. As contributory schemes, they forge a direct connection between a citizen's work history and pension income.

The pension reforms of the 1990s were the product of skillful political maneuvering. Since the early 1980s the bourgeois parties strove to make pensions more contributory but were stopped in their efforts. Toward the end of the 1980s the high-skilled unions embraced the idea of occupational pensions and broke ranks with the rest of the union movement over the issue.[61] As the idea became more popular among members of the working class, the Social Democrats resigned themselves to the inevitability of reform and successfully fought to build the ATP into a tool for income redistribution, though its effects in this regard will be more modest than under the old *Folkepension*.

All these reforms have had distributive consequences in Denmark. Most forms of income assistance are now more targeted. Labor, at least unskilled labor, appears to be in a weaker position than previously. But there were good reasons that labor leaders and other professional organizations agreed to the reforms and even endorsed them. In most cases the reforms were negotiated in corporatist consultation with unions or with professional organizations in a particular field. Herman Schwartz has noted that in almost all cases unions and professionals accepted distributive losses, either because they wished to retain their institutional position (which entailed accepting compromises) or because they were willing to give up distributional issues for nonmaterial gains.[62] As an example of the latter, nurses gave up salary demands in exchange for more control over hospital administrative decisions.

In short, the new activation schemes and the reforms of the pension system are changing the face of the Danish welfare state. The trend can best be described as a movement toward a more achievement-oriented, rather than solidaristic, welfare state.[63] The idea of collective responsibility is giving way to the view that pension income beyond a minimum floor is the responsibility of an individual and that work is a citizen's

[61] Fritz von Nordheim-Nielsen, "The Politics of Aging in Scandinavian Countries," in John Myles and Jill Quadagno, eds., *States, Labor Markets, and the Future of Old-Age Policy* (Philadelphia: Temple University Press, 1991); and idem, "The Three Dimensional Character of Occupational Pensions and the Case of Danish Pension Politics in the 1980's," in M. Shalev, ed., *Occupational Welfare and the Welfare State in Comparative Perspective* (New York: Plenum Publishing Corporation, 1994).

[62] Herman Schwartz, "The Danish Miracle: Luck, Pluck or Stuck?" *Comparative Political Studies* (forthcoming).

[63] John D. Stephens, "The Scandinavian Welfare States: Achievements, Crisis, and Prospects," in Gøsta Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage, 1996), 54–55.

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duty. Policy experts, particularly the Social Commission, played a special role in bringing about these reforms. They were instrumental in framing the debate around traditional principles and portraying the more generous aspects of the Danish welfare state to be inconsistent with Danish tradition.

NETHERLANDS

As in Denmark, the shifting discourse in Dutch public policy stemmed from dissatisfaction with the "vices" of its welfare system.[64] The major vice was the high level of inactivity in the labor market. In the 1994 parliamentary elections, for example, the huge percentage of citizens receiving some form of social support was touted as evidence of the need to change. Intellectuals, too, shifted the discourse. Kees Schuyt, a sociologist and prolific essayist, coined the term "calculating citizen" to refer to those who sought to maximize their benefits from social programs even if they did not need assistance. The disability program was singled out for the most reproach, because its perverse incentives had given the Netherlands the highest percentage of disabled workers in the world.[65] University students were also criticized for exploiting stipends and tuition assistance, while staying on at university longer to finish their degrees.[66]

Two specific ways policymakers have shifted the discourse involve reframing the ideas of *wage restraint* and *labor market flexibility* to make reform more palatable. Wage restraint has a long history, serving as the cornerstone of consensus within corporatist negotiations. And it has been the principle upon which Dutch social insurance programs, the foundation of its welfare state, were built. Wage restraint is good for employers because it contains the increase in one of their costs of production. It is not directly in the interests of workers, but in the postwar period labor leaders accepted wage restraint in exchange for deferred-wage compensation (that is, social insurance). The expansion of the welfare state, particularly programs that provided specific benefits to members of the workforce, such as earnings-related pensions, widow and orphan benefits, vacation allowances, and unemployment insurance, amounted to increases in compensation for work, even if they

[64] Jonah Levy, "Vice into Virtue? Progressive Politics and Welfare Reform in Continental Europe," *Politics and Society* 27 (June 1999).

[65] Organization for Economic Cooperation and Development, *Economic Survey of the Netherlands* (Paris: OECD, March 1998).

[66] M. J. de Jong and R. van Schoonhoven, *Afscheid van de Zorgeloze Versorgingsstaat* (Utrecht: Spectrum, 1992).

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were not directly reflected in wages. Deferred compensation was attractive to workers because it provided income security for the time when they would be unable to continue working (as well as income security for their dependents). Employers preferred deferred compensation to wage increases because most forms of compensation awarded them tax advantages. Pension contributions, for example, could be deducted from corporate profits, whereas wage costs could not. In this way, wage restraint in the postwar period gave rise to the growth of welfare states in the Netherlands, as well as elsewhere in continental Europe.

Today wage restraint is used to justify reforms that reduced the scope of social support. In the 1990s, for example, the government relaxed many mandatory insurance provisions. Sickness allowances were privatized in an effort to discourage frivolous use of the program. Widow and orphan allowances were curtailed sharply, and the wage indexation of benefits was adjusted so low that it is virtually insignificant.[67] In response to these reforms, labor unions used the collective bargaining table to patch the holes the government poked in the safety net. Bringing these social insurance measures to the collective bargaining table, however, had the effect of crowding wages off the table. The result was wage restraint, but it has come at the expense of the level of social security that workers came to expect in the 1970s.

Employers were elated. By conceding union demands for social provisions, they still paid for insurance measures (directly rather than through payroll taxes), but in the process they avoided making concessions on wage demands. The effect of these wage-crowding reforms was wage restraint. Employers and the government praised the positive effects of wage restraint, while unions congratulated themselves for their ability to set the public interest above their class interest.[68] Despite a dramatic privatization of social protection, widespread opposition to the reforms was averted by recasting the idea of wage restraint to make the reforms appear consistent with the Dutch tradition of labor relations. Clearly, the unions were the losers in the fight over social protection, but their willingness to embrace the idea of wage restraint allowed them to put a good face on a bad situation.

As wage restraint took on this new character in the 1990s, policymakers invoked the idea to justify more far-reaching economic reforms. A perfect example is the Wage Restraint Act (Wet op de Loonmatiging), passed by parliament in 1994. The legislation was a Labor Party

[67] Teulings, Veen, and Trommel (fn. 14).
[68] See Visser and Hemerijck (fn. 5); Rigter et al. (fn. 17).

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initiative to expand existing schemes for profit sharing and employee stock options, as well as programs for tax-advantaged savings. Labor was in opposition when the bill was drafted, so to gain the endorsement of the governing Christian Democrats, the bill's sponsors removed the provisions for promoting profit sharing and expanded the provisions for tax-advantaged savings. Then, to capitalize on the popularity of the idea of wage restraint, they labeled the bill the Wage Restraint Act.[69]

In their justification for the law, the authors argued that programs of tax-advantaged savings would help to dampen wage demands by allowing employers to offer labor compensation outside of normal wages. The savings schemes amount to an increase in nonwage compensation, and employees find them more attractive than wages because the amounts are exempted from income tax and social contributions. Indeed, the real increase is greater than their nominal amount, when the tax advantage is taken into consideration. Like such programs in the United States, these schemes allow employees legal exemptions from some of their social contributions and taxes. Moreover, they are more advantageous for higher-paid employees, who pay taxes at a higher rate.[70]

Wage crowding and nonwage compensation are two mechanisms Dutch policymakers have used to substantially alter labor-market relations. The brilliance of the strategy is that wage restraint, an idea once used to legitimate the expansion of the Dutch welfare state, is now used to justify dramatic curtailments of social protection. The idea of wage restraint still has a powerful legitimizing impact on any reform proposal, and policymakers seek to win acceptance for their reforms by framing their proposals as measures to promote wage restraint.

The other example of reframing is the novel way Dutch officials have recast the idea of flexibility in the labor market. The term stems from what neoliberals criticize as the rigidity of overregulated labor markets. Regulations that limit the hours in the workday and prevent employers from easily dismissing less-productive workers are often blamed for a country's high level of unemployment and inability to compete in a global market. Flexibility would allow employers to make more productive use of plant and equipment by working evening and weekend shifts, allowing for overtime work to respond to fluctuations in orders, and more readily dismissing workers in times of declining or-

[69] C. H. Ackermann, M. van Bolhuis, and J. van Weeren, *Spaarregelingen* (The Hague: Ministerie van Sociale Zaken en Werkgelegenheid, September 1994).

[70] J. A. Bikker, "Spaarloon: Een Kunstgreep Met Grote Effecten," *Economisch Statistisch Berichten* (November 6, 1994); R. P. J. Storm and A. de Krujik, "Een op de Drie Werknemers Maakt Gebruik van Nieuwe Bedrijfsspaarrelelingen," *Financiele Maandstatistiek* 95, no. 5 (1995), 6–10.

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ders.[71] Unions decry anything that promotes flexibility as a concession of their hard-won industrial rights. In many countries, and especially in Germany, the term polarizes unions and employers, as well as the left and right in the parliament.

A similar debate has waged in the Netherlands, but Dutch policy reformers turned the idea on its head to make deregulation of the labor market more palatable. Here is an example where a contingency led innovative reformers to recast an idea and refocus public attention. The contingency was the increase of women in the workforce and the pressure they began to exert for opportunities to balance work and family. The traditional employment model, which held that workers should have permanent, full-time jobs and regular working hours, discouraged women who were the primary caregivers in their households. As Dutch women began entering the workforce in the 1980s, the tensions between their expectations and those of employers placed pressure on public policy. By 1994 labor-market participation grew to over half of the female workforce and many were taking part-time contracts.[72] But they desired the same rights to pension and social security that historically had been associated with full-time work. Lobbying organizations for women's issues embraced the idea of flexibility and defined it as an opportunity for women to work part time but still gain social security and job tenure. As the popularity of the idea grew, unions boarded the bandwagon and embraced flexibility as a chance for their (mainly male) membership also to opt for part-time work and spend more time with their families. In 1996, for example, business and labor leaders recommended to the government that it adopt measures to promote flexibility and security, coining the term "flexicurity."

Now the Labor Party has become the chief proponent of this idea of flexicurity, using it to lure the support of working men and women.[73] The new version of flexibility justifies policies such as leave schemes, maternity and paternity leave, dependent-care leave, even sabbatical leave.[74] Flexicurity was given legislative force in 1998, when parliament approved the recommendations of the social partners, thereby giving more social security rights to part-time workers in exchange for fewer regulations on dismissal and probationary periods. Advocates of the new legislation see it as an integration of work, welfare, and care into the idea

[71] Frits Bolkestein, "The Dutch Model," *Economist*, May 22, 1999.

[72] OECD (fn. 65).

[73] Jet Bussemaker, "Rationales of Care in Contemporary Welfare States: The Case of Childcare in the Netherlands," *Social Politics* 5, no.1 (1998).

[74] Monique Kremer, *Het Deense Werkgelegenheids-offensief: Kansen Voor Zorg en Arbeid* (Utrecht: Nederlands Instituut voor Zorg en Welzijn, 1995).

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TABLE 2
PERCEPTIONS OF THE NEED TO REFORM IN 1992
(%)

Question: Social security is too costly for society. Benefits should be reduced and contributions should be lowered.	*Agree Strongly*	*Agree Slightly*	*Disagree Slightly*	*Disagree Strongly*
Netherlands	18.2	23	31.8	27
Denmark	14.3	26.5	25.4	33.9
Germany (West)	9.9	19.7	36.1	34.4
Germany (East)	8.6	11.8	32.6	47

SOURCE: Eurobarometer Survey 37.1, "Consumer Goods and Social Security," conducted April–May 1992 (Cologne: Zentralarchiv für Empirische Sozialforschung, 1999), 251.

of social citizenship. Flexicurity, therefore, is a positive development for workers, allowing them greater autonomy over their time and greater opportunities to balance the conflicts of work and domestic care.

The idea of flexicurity is another example where substantial reform of the Dutch welfare state has been achieved by recasting an idea to make it into a justification for vigorous reform. Gone is the old "breadwinner" model of a man working full time, earning a large enough salary to support his entire family. Instead, the one-and-a-half jobs model prevails, wherein two domestic partners work thirty hours each per week and share domestic responsibilities. The new model is consistent with a number of expectations. Young women increasingly are interested in pursuing careers but not at the expense of having a family. Young men are less inclined to view their job as the defining characteristic of their persona and wish to spend more time with their families. Flexicurity was used as a novel way to integrate the interests of employers and workers in a way that made big reforms palatable.

Dutch public opinion is more difficult to assess, due to the absence of directly relevant surveys. But evidence from related surveys suggests a pattern similar to (though not as strong as) that in Denmark. In 1992 at the beginning of the reform process, a Eurobarometer survey identified a large plurality in both countries supportive of the need to reform. The results of this survey are reported in Table 2.

Though a majority did not believe reform was necessary, 41 percent favored some degree of reform. This stands in sharp contrast to Germany, where less than one-third of the population favored any reform at all.

Though Dutch public opinion is closer to the Danish on the issue of reform, it is not as decisively supportive as in Denmark. When asked

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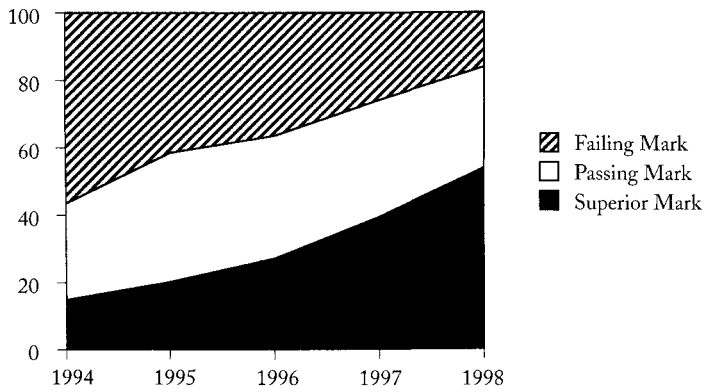

FIGURE 2
DUTCH VOTERS' EVALUATION OF UNEMPLOYMENT POLICY
(%)

SOURCE: Sociaal en Cultureel Planbureau (SCP), *Sociale en Culturele Verkenningen, 1999* (The Hague: Elsevier, 1999), 22, 53.

their opinion of the government's policy between 1992 and 1998, an increasing number of Dutch believed the government did a good job with social security, and a majority gave the government superior marks for its handling of unemployment. Figures 2 and 3 reproduce the results of these surveys. From the standpoint of this article, the opinion data indicate strongest dissatisfaction with the welfare reform of the early 1990s, a period when slashing benefits was the typical method of welfare reform. But as the government's priority has shifted away from quantitative cuts toward qualitative reforms designed to encourage work and private savings, public support has grown dramatically. This trend suggests that greater support exists for these qualitative reforms than for simple budget cutting, a finding that supports the social construction of a new vision of the Dutch welfare state. This reconceptualization of the basic ideas that underlie the Dutch welfare state has allowed the center-left governments to carry out some of the most fundamental reforms without appearing to have sold out the postwar vision of an expansive welfare state. These changes came about because welfare reformers in the Netherlands transformed the language of social policy in ways that created broad support for far-reaching reforms. By taking well-entrenched ideas about how the Dutch welfare state operated and recasting them in ways that made big reforms appear to be

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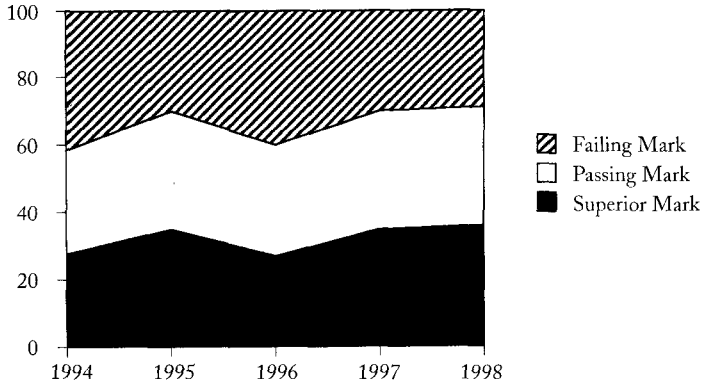

FIGURE 3
DUTCH VOTERS' EVALUATION OF SOCIAL SECURITY POLICY
(%)

SOURCE: Sociaal en Cultureel Planbureau (SCP), *Sociale en Culturele Verkenningen, 1999* (The Hague: Elsevier, 1999), 22, 53.

consistent with those ideas, Dutch policymakers shaped a path for welfare reform.

GERMANY

The German case is more difficult to discuss as it involves the explication of something that did not happen, namely, large-scale reform of the welfare state. Reforms have not taken place, as this analysis will show, because political leaders failed to shape a path for them, and the path-dependent polarization among political actors was therefore allowed to persist. Without a successful construction of a new discourse about the welfare state, the few reforms that have been enacted amount to tinkering with the old system, not reconstructing a new one.

Fundamental criticisms of the welfare state in the early 1980s were widespread and could have fostered change in the social construction of the German welfare state. When Helmut Kohl first came to power in a center-right coalition, he declared a turnabout (*Wende*) in public policy, promising to shift from the state to the market as the central institution for promoting social and economic change. Economic growth, international competitiveness, and improvement in the public budget were announced to be the immediate goals of the policy shift, and they

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were to be attained by altering labor-market relations, cutting back on the welfare state, and privatizing more state activities. Yet neither the rhetoric nor the reality of the proposed reforms was as sharp as in other countries with center-right governments (for example, Britain and the U.S.).

Indeed, the left hotly disputed the suggestion that change was necessary. Like most Germans, the left adhered strongly to the postwar idea that the purpose of the welfare state was to provide security against the vagaries of market forces. This idea, which the welfare state had deeply impressed into the value structure of the German population, constituted a formidable path-dependent bias against reform. Overcoming this path dependence would have required political leaders of vision and fresh ideas who were willing to engage in risky strategies to articulate a new set of values for the welfare state. During the 1980s and 1990s, however, Helmut Kohl's governments showed that they lacked at least the political will to challenge the existing value structure and quite possibly the very ability to think creatively.[75]

Faced with vigorous opposition, Kohl's government quickly abandoned the idea of turnabout. To placate moderates, Kohl declared that continuity would be just as important as change and therefore that the major policy objective would be "renewal of the social market economy," not its dismantling.[76] By the election campaign of 1987 the government had abandoned most of its reform rhetoric and was striving instead to make quiet changes in programs that were less politically controversial.

Some changes made in the 1980s worked directly counter to the construction of a new vision of social policy. A 1989 pension reform, for example, did little to alter the basic structure of the program. Indeed, its major effect was to formalize bureaucratic practices that had been accumulating over the previous fifteen years. Passed by parliament only hours before the Berlin Wall fell, the reform did not anticipate the unification of the two Germanies. When it went into effect in 1992, the previously adopted reform bill was simply implemented in the eastern half of the country as well.[77] By electing not to reopen the pension debate after unification, German officials chose to continue with a reform that had been negotiated under vastly different circumstances.

[75] Josef Schmid, "Mehrfache Desillusionierung und Ambivalenz: Eine Sozialpolitische Bilanz," in Göttrik Wewer, ed., *Bilanz Der Ära Kohl: Christlich-liberale Politik in Deutschland, 1982–1998* (Opladen: Leske and Budrich, 1998), 94–101.

[76] Borchert (fn. 15), 117–19.

[77] Winifried Schmähl, "The 1992 Reform of Public Pensions in Germany: Main Elements and Some Effects," *Journal of European Social Policy* 3, no. 1 (1993).

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By doing so they missed an opportunity to make dramatic change. Because the pension reform had not been implemented, it could have been adjusted to meet the needs of a unified Germany. Officials chose not to do this because they believed unification posed only a short-term problem. Their reform, by contrast, had been based on long-term demographic projections, and they believed that these long-term trends would be the same in the eastern part of the country.[78] Clearly, policy reformers in Germany saw no imperative for large-scale welfare reform.

Active labor-market policies were another area where reforms worked against a new vision of social policy. Whereas policymakers in Denmark and the Netherlands expanded active labor-market policies in the 1990s as part of their new vision, policymakers in Germany opted to cut the budgets of similar programs. Because active labor-market programs were funded from unemployment insurance taxes, as the burden of the unemployed grew, budget cuts were concentrated on those programs in order to preserve benefits for insured workers. Moreover, cuts in benefits fell harder on groups with weaker attachments to the labor market, such as part-time and younger workers.[79] This, too, discouraged the adoption of new types of program initiatives. By preserving benefits for those who had matured in the system, German leaders expressed a normative preference for the status quo over reform.

By the early 1990s, especially following unification, the lack of fundamental reform in social policy created a new discussion, known as the *Standortdebatte*—basically a debate over whether German business could still produce goods that could compete on the world market. The welfare state was at the center of the debate, with employers arguing that the highly regulated labor market and steep social insurance taxes discouraged employers from locating in Germany and that high benefits discouraged workers from being more productive. Unions, by contrast, denied the existence of any problem and rejected as absurd the notion that a high-tech employer would locate in Portugal or Greece simply to enjoy lower labor costs. This difference of opinion also led to different interpretations of the country's high levels of unemployment: employers argued that unemployment proved their point, while unions declared unemployment to be a problem of structural adjustment.[80]

As the number of long-term unemployed workers has increased, new efforts to create active labor-market programs have emerged. The

[78] Ibid., 48.

[79] Clasen (fn. 27).

[80] For a good summary of the positions, see Rolf G. Heinze, Josef Schmid, and Christoph Strünck, *Vom Wohlfahrtsstaat sum Wettbewerbsstaat: Arbeitsmarkt- und Sozialpolitik in den 90er Jahren* (Opladen: Leske and Budrich, 1999), 65–74.

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Alliance for Jobs (Bündnis für Arbeit) is an initiative developed by the Schröder government to foster a consensus between business and labor. The original idea for such a plan was developed in 1995 by the president of the Metal Workers Union. Although the idea received the backing of the Kohl government, it unraveled in 1996 when business and labor leaders disagreed about who should make the first sacrifice.

The initiative was picked up by Schröder during the 1998 election campaign, though he merely used the idea as a slogan and did not give it any substance. When he won the election and attempted to make good on his campaign promise, he found unions and employers still far from consensus. Employers objected to setting job-creation targets, and unions were reluctant to accept wage restraint, even if it came with the promise of new jobs.[81]

In 1999 two new reforms encountered stumbling blocks. One was a proposal to strengthen the work requirements in social assistance, a consequence of a reform adopted in 1996. This reform, which grew out of a promise made by Kohl in the 1994 election campaign, had stagnated in parliament because of opposition in the upper house (Bundesrat), which represents state governments in Germany's federal structure. States were concerned about the growing number of mandates they had been given without resources to fulfill the new tasks. Moreover, a majority of states were controlled by the social democrats and greens, the opposition parties. The bill proposed to enhance work requirements (*Hilfe zur Arbeit*), but state governors opposed it because they did not want to be responsible for implementing work requirements, and they succeeded in stalling the legislation. Nonetheless, some welfare-to-work initiatives have been adopted by individual states and in some cities.[82] These initiatives are relatively modest in comparison with the Dutch and Danish reforms, but they could mark the beginning of a grassroots reform of the welfare state.

The second reform in 1999 actually demonstrated a return to old ways. These are short-term, low-wage part-time contracts—"630 deutsche mark jobs"—so called because that is what they pay per month. In 1999 the number of these jobs grew fast, as employers sought to make use of low-wage flexible work contracts. These jobs typically are taken by young people or by people who move in and out

[81] Stephen J. Silvia, "The Alliance for Jobs: Social Democracy's Post-Keynesian/Process-Oriented Employment Creation Strategy," *German Politics and Society* 17 (Spring 1999).

[82] Ulf Fink, "Die Sozialhilfereform 1996," *Sozialer Fortschritt* 46, no. 3 (1997), 74–75; Thomas Gebhardt and Herbert Jacobs, "Amerikanische Verhältnisse? Sozialhilfe in den USA und Deutschland: Ein Vergleich aus Historischer, Institutioneller und Rechtlicher Perspektive," *Zeitschrift für Sozialreform* 43 (August 1997).

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of the workforce frequently. Because they are part-time contracts, the jobs fall outside of normal labor-market regulations; employers do not pay social security taxes, and workers consequently are not eligible for social security benefits. It was a similar development of part-time contracts in the Netherlands that led unions and left-wing politicians to a revised understanding of flexibility in the labor market. But in Germany the government embarked on an effort to regulate this sector of employment by requiring employers to pay social security taxes for these workers and by awarding employment rights to workers on part-time contracts. Thus, the tendency there, unlike in the Netherlands, is to discourage rather than encourage low-wage, part-time labor. The lack of progress on such issues led most observers to predict little progress without a dramatic change in the combative attitudes of the social partners, or a dramatic intervention by a government willing to reform.[83]

Not only the government and social partners, but the German public, too, is unconvinced that the welfare state needs reforming. Table 2 demonstrates that at the beginning of the 1990s the percentage of Germans who believed reform was necessary was significantly smaller than in Denmark or the Netherlands. Survey data from 1997 indicate little change in this opinion. Figure 4 shows that when asked if they prefer more individual provision to the existing system, less than one-quarter of Germans indicated a desire for change, and two-thirds opposed any change. This survey does not capture any sentiment for a type of reform other than private provision, but given the fact that reforms in most countries involve a greater reliance on private provision, the survey does indicate a lack of support for the types of reform most likely to be on the agenda.

Thus, in contrast to Denmark and the Netherlands, the absence of reform in Germany corresponds to the absence of a new consensus that reform is necessary. Many of the reforms that were enacted worked against development of a new consensus because they sought to preserve the privileges of those more deeply invested in the system at the expense of younger people. The terms of debate in Germany remain much as they have been, and the small reforms that have been enacted followed a path-dependent logic. Consequently, they have had no effect on the social construction of the German welfare state.

But in 2000 the political momentum appeared to shift in favor of reform. Although the year brought no welfare reform in the strict sense,

[83] Theisen (fn. 26).

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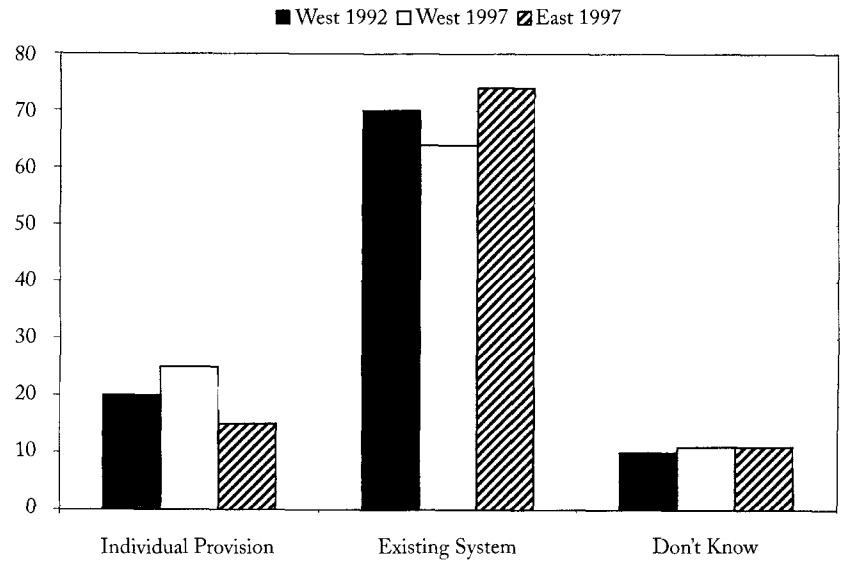

FIGURE 4
GERMAN PREFERENCES FOR A DIFFERENT SYSTEM OF SOCIAL SECURITY
(% *ELIGIBLE VOTERS IN GERMANY*, 1992 AND 1997)

SOURCE: Markus Pannenberg, "Sozialstaat und finanzielle Absicherung aus Sicht der Bunderbürger: Grundeinstellungen und Trends" (Manuscript, Deutsches Institut für Wirtschaftsforschung, Berlin, 2000), 29.

an important tax reform and a proposal to expand private pension savings reflected a shift in the language about the welfare state and introduced new ideas that may prove to be the foundation for future reform.

The first breakthrough, passed in the summer of 2000, was a tax reform whose major effects were to cut corporate and income tax rates. This reform had been in the works for years. Kohl had proposed similar reforms that failed due to parliamentary opposition. Schröder's government kept the issue alive and pushed a new bill through parliament, but the opposition Christian Democrats, who controlled the upper house (Bundesrat) of parliament threatened to stop the reforms on the grounds that they did not go far enough in cutting taxes. To gain the support of the upper house, extra tax advantages for small and medium enterprises were added to the package, and extra money was offered to state governments.[84] More dramatic was the language used by the government in justifying the reform—as a way to improve German competitiveness. With the passage of the measure, the idea of competitiveness

[84] "The Chancellor Gets His Deal," *Economist* (July 22, 2000), 47.

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might return as a theme in discussions of other areas of welfare reform. Now, in contrast to the *Standortdebatte* of the 1990s, measures that enhance competitiveness can be presented in a positive light. This will weaken the arguments of reform opponents, who previously portrayed competitiveness as a mean-spirited justification for abandoning welfare security.

The second major initiative in 2000 was a discussion about pension reform. The government initiated the discussion by floating a proposal to expand opportunities for private savings. Arguing that demographic changes make the future of the state pension system insecure, the government has proposed committing twenty billion deutsche marks to enable people to build private pension funds. The mechanism for this reform will be a tax advantage for private pension savings. As in the Netherlands, the idea is to shift more responsibility for pension savings to the individual, thereby relieving fiscal pressure on the state. It is important to note that the government is framing its reform as a means to ensure greater pension security, and in the process it depicts the existing state scheme as financially insecure.[85] Because the idea of security is so central to the purpose of the German welfare state, labor unions discovered during the *Standortdebatte* that depicting reforms as promoting insecurity is a surefire way to undermine their viability. The Schröder government has learned this lesson and has used it creatively to portray the status quo as a prescription for insecurity. It is yet to be seen if this new effort at reframing the issue will be successful, but if the Dutch and Danish experiences are any guide, it is a step in the direction of reform.

Conclusions

Welfare reform occurs at differential rates. Explaining why some countries have moved faster than others has challenged scholars to abandon the conventional wisdom and explore novel aspects of the policy process. The role of ideas in particular has gained greater attention. Social constructivism has developed as a school of thought committed to explicating the way ideas are developed, disseminated, and implemented as public policies. This article has applied the approach to the study of welfare reform.

The specific problem was the differential experiences of Denmark, the Netherlands, and Germany. Due to their historical similarities, one might expect these countries to have similar experiences in welfare re-

[85] Bundesministerium für Arbeit un Sozialordnung, *Die Rentenreform 2000: Ein Mutiger Schritt zu Mehr Sicherheit* (Berlin: Bundesministerium für Arbeit un Sozialordnung, August 2000).

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form. Or, if account were taken of their differences, the universalistic welfare state in Denmark should have developed differently from the more similar Dutch and German systems. Instead, Denmark and the Netherlands adopted major reform, with Germany appearing to be the laggard. The explanation for this lies in the ability of Dutch and Danish policymakers and the public to construct a new discourse that facilitated reform and the failure of Germans to do so. By carefully framing issues, Dutch and Danish leaders overcame the path-dependent constraints of existing policy institutions. Consequently, they were able to shape a new path toward reform. A comparison of the experiences points to a number of lessons for both would-be reformers and scholars wishing to study the social construction of reform in other countries or policy contexts.

In Denmark, ironically, history and tradition were employed as an important justification for change. The Social Commission, the expert committee that developed the recent reforms in Denmark, framed a growing critique of the Danish welfare state. Public dissatisfaction with tax evasion and the rise of egoistic behavior had become widespread. The Social Commission propelled this critique in a positive direction. In a novel recasting of the terms of debate, the commission implied that the moral foundation of the postwar welfare state was inconsistent with Danish values; moreover, it reached back into Danish history to make the claim that work had a stronger place in the country's value structure—that it was rediscovering lost values. In this way the commission was able to sell reform as a Danish invention and not some imported Anglo-American liberalism.

The Dutch strategy was different. Rather than seeking out lost values that the postwar expansion of the welfare state had masked, Dutch opinion leaders took the postwar principles and stretched them into justifications for new reforms. Thus, wage restraint, which once was invoked to support the expansion of social security schemes, now served to justify untaxed forms of wage compensation. Where in the first instance the result was welfare state growth, in the second instance the same principle accelerated a privatization of welfare functions.

The Dutch welfare state is also built on an ethic of caring. The Dutch term *verzorgingsstaat* translates into English as caring state, not welfare state. Thus when women entered the workforce in large numbers, their claim that they needed assistance to continue caring for their families drew on a well-established principle. This allowed policy entrepreneurs to reconstruct the idea of labor-market flexibility, transforming it from an issue that polarized labor and employers into a

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principle justifying more innovative labor contracts and allowing men and women equally to care for their families (flexicurity).

Though both countries reformed, they followed different sequences. In Denmark the shaping of a new discourse largely preceded major reforms, and the shift in discourse paved the way for enactment of the reforms. In the Netherlands, by contrast, various incremental reforms were introduced first, and only after the fact did policymakers devise ways to fit them into the existing value structure. In both cases, the new framing of issues helped to reshape the preferences of both political actors and the general public. Danes and Dutch entered the 1990s desiring some reform of the welfare state, and by the end of the decade the desire had grown in both countries.

This difference in sequencing has theoretical significance. For conventional institutional analyses, the question of timing and sequence becomes important for understanding why one country cannot duplicate the path of another.[86] But when greater account is taken of the possibility of political actors engaging in path shaping, questions of sequencing and timing become empirical matters. Indeed, in both cases the sequence was more dialogic than linear, with a mutually reinforcing shift in discourse and development of new policy. Recognizing the importance of path shaping enriches the institutional analysis.

Indeed, the need to reform is an idea that has a historical dimension. The Eurobarometer study indicates that public opinion at the beginning of the 1990s was more supportive of reform in Denmark and the Netherlands than in Germany, suggesting that Dutch and Danish leaders entered the decade with more room for maneuver.[87] Historical experiences may explain these differences. The 1980s, as a decade of budget cuts and public discussion in the Netherlands and Denmark, may have laid the groundwork for the more fundamental reforms of the 1990s.

But Germany remained different. A similar reconstruction of the welfare discourse failed because opinion leaders used provocative language to justify budget cuts rather than trying to shape a path for reform. International competitiveness, the principle central to the *Standortdebatte,* is not the principle on which the German welfare state was founded. To be sure, many observers have attributed Germany's strong international position to its well-compensated workforce, but

[86] Paul Pierson, "Timing, Sequences and the Study of Comparative Politics" (Paper presented at the annual meeting of the American Political Science Association, Boston, September 1998).

[87] Eurobarometer Survey 37.1, "Consumer Goods and Social Security," conducted April–May 1992 (Cologne: Zentralarchiv für Empirische Sozialforschung, 1999).

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this was the effect of the welfare state, not its cause. Because enhancing competitiveness is a concept alien to the construction of the German welfare state, it does not offer a legitimate basis for welfare reform. Therefore, suggesting that German workers must give up security in order to become competitive proved to be a nonstarter.

Path shaping requires rhetorical strategies that connect new proposals to an existing value structure. If German employers can demonstrate how flexibility can help to preserve the security of German workers, they will find greater acceptance for their reform proposals. This requires more creative value connections, but as the events of 2000 demonstrated, it is not impossible. The Schröder government appears to have employed some effective path-shaping strategies to win tax reform and is well on the way to developing political support for pension reform. Moreover, the Danish and Dutch cases demonstrate that the sequence is not as important as the ingenuity of policymakers. Together, the three cases demonstrate that welfare reform is more a struggle over the identity of a society than over the size of the public budget. Reform proposals that do not invoke an accepted idea of legitimacy stand little chance of success, while a sense of legitimacy can facilitate truly dramatic change.

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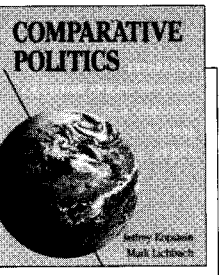

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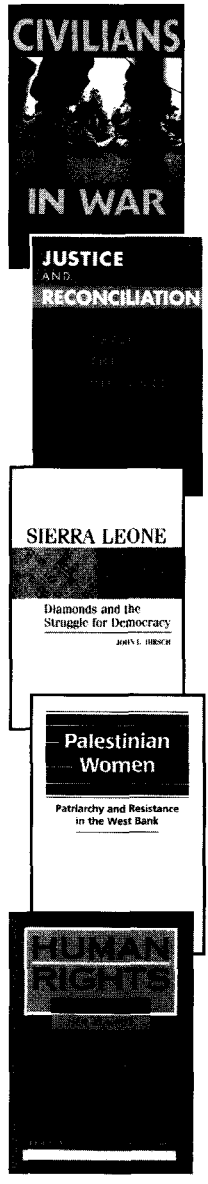

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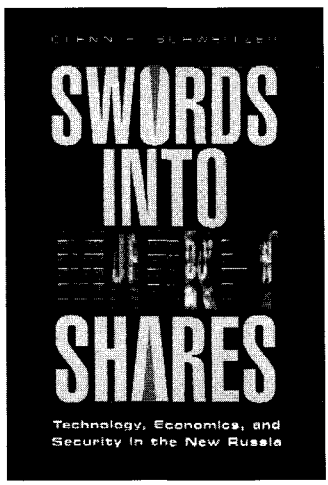

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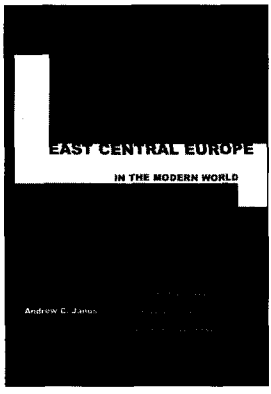

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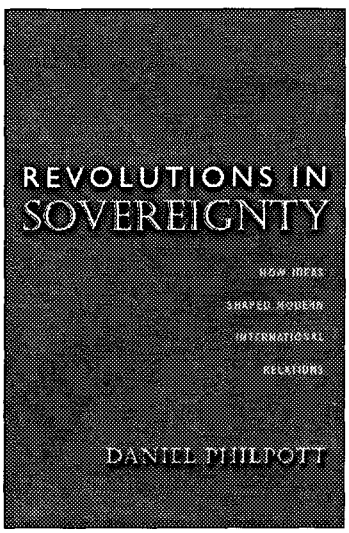

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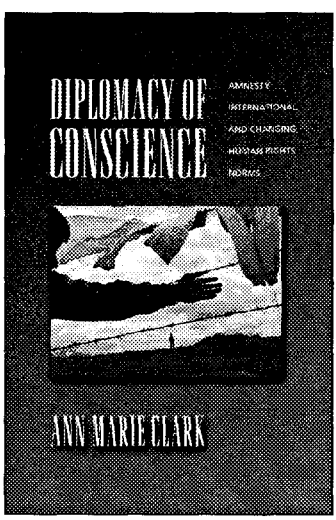

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